

SEP 06 2006

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In Re the Application of:)
Mehrzad Movassaghi) Customer No. 32084
Serial No.: 10/530,014) Atty No. 1491-148
Filing Date: October 1, 2003)
Title: MULTIPLE PLATE) Petitions Examiner:
COMBUSTOR) Richard M. Ross

The Honorable Commissioner of
Patents and Trademarks
Washington, D.C.
U.S.A. 20231

Dear Mr. Ross:

SECOND) RENEWED PETITION UNDER 37 CFR 1.47(b)

Pursuant to 37 CFR 1.47(b), Applicant hereby requests reconsideration of the dismissal, without prejudice, of Applicant's Renewed Petition filed May 31, 2006.

Please find attached the following documents:

1. Declaration of Abolghassem Aghtai, President of Fama Holdings Ltd. on behalf Mehrzad Movassaghi, the non-signing inventor including an executed Declaration and Power of Attorney with identification of the person signing on behalf of Fama Holdings Ltd. and his office.
2. Copies of the Canadian legal decisions mentioned in the Memorandum of Law of Mark Pospisilik, solicitor for Fama Holdings Ltd.

Accordingly, Applicant respectfully request reconsideration of the decision.

This request for reconsideration is submitted in the belief that no fee is required.

Respectfully submitted,

Dated: Sept 6 / 06

By: C. Vermette

Clifford W. Vermette
Reg. No. 30,018
Attorney for Applicant

Vermette & Co.
Box 40 Granville Square,
Suite 230, 200 Granville Street
Vancouver, British Columbia,
V6C 1S4 Canada

Tel: (604) 331 0381

Fax: (604) 331 0382

AGREEMENT OF PURCHASE AND SALE OF ASSETS

THIS AGREEMENT dated for reference the 30th day of September, 2004.

This is Exhibit "B" referred to in the
declaration of Affidavit of Akshaygassen Agatai
sworn before me at Vancouver
this 11th day of August 2006

BETWEEN:

~~.....~~
A Commissioner for taking Affidavits
for British Columbia

POWERTECH INDUSTRIES INC., of Suite 1700 - 1095 West
Pender Street, Vancouver, British Columbia V6E 2M6

(hereinafter referred to as "Powertech")

AND:

GASMASTER INDUSTRIES INC., of Suite 1700 - 1095 West Pender
Street, Vancouver, British Columbia V6E 2M6

(hereinafter referred to as "Gasmaster")

AND:

FAMA HOLDINGS LTD., of Suite 1700 - 1095 West Pender Street,
Vancouver, British Columbia V6E 2M6

(hereinafter referred to as "Fama")

WHEREAS:

- A. Powertech is the legal and beneficial owner of the Purchased Assets (as hereinafter defined) and;
- B. Powertech desires to sell to Fama and Fama wishes to purchase from Powertech the Purchased Assets.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

1. Definitions

1.1 Where used in this Agreement or in any amendment, the following terms shall have the following meanings respectively:

- (a) "Agreement" means this Agreement of Purchase and Sale, including all schedules, and all instruments supplemental to or in amendment or confirmation of this Agreement;
- (b) "Business Day" means a day other than a Saturday, Sunday or statutory holiday, on which the principal chartered banks located in the City of Vancouver are open for business during normal banking hours;

A/S99989996/28917.1

- 2 -

- (c) "Closing" means the completion of the sale to and purchase by Fama of the Purchased Assets under this Agreement;
- (d) "Closing Date" means November 30, 2004 or such other date as the Parties may agree;
- (e) "Gasmaster Debt" means all amounts owed by Gasmaster to Powertech, plus accrued interest thereon, as of the Closing Date;
- (f) "Powertech Debt" means all amounts owed by Powertech to Fama, plus accrued interest thereon, as of the Closing Date;
- (g) "Intellectual Property" means those patents and patent applications set forth on Schedule "A" hereto and includes, without limitation:
 - (i) all right, title and interest of Powertech in, to and under all contracts and agreements and other rights of or pertaining to the Intellectual Property;
 - (ii) all right, title, benefit and interest of Powertech in respect of all registered or unregistered trade marks, logos and trade names of or pertaining to the Intellectual Property and all additions, modifications and extensions thereof;
 - (iii) all patterns, designs, research data, copyrights, trade secrets and other proprietary know-how, processes, drawings, technology, equipment and descriptions and related instructions, manuals, data, records and procedures and any and all data arising from the Intellectual Property and all licenses, agreements and other contracts and commitments relating to any of the foregoing;
 - (iv) all amounts prepaid in connection with the Intellectual Property; and
 - (v) all books and records and files relating to the Intellectual Property stored on any type of media including, without limitation, all production, and customer records and lists (containing addresses, phone numbers and business contacts of such customers) and all correspondence, research materials, contract documents, licenses and permits;
- (h) "Parties" means Powertech, Gasmaster and Fama, collectively, and "Party" means any one of them;
- (i) "Purchased Assets" means all of the Purchased Shares, the Intellectual Property and the Gasmaster Debt;
- (j) "Purchased Shares" means all of the issued and outstanding common shares of Gasmaster; and
- (k) "Purchase Price" means:
 - (i) the sum of \$900,000 to be paid by Fama forgiving all of the Powertech Debt; and

A/99999999/28917.1

- (ii) the discharge by Fama of all of Powertech's liabilities, other than the Powertech Debt, owing as of the Closing Date.

2. Schedules

2.1 The following schedules are attached to and incorporated in this Agreement by reference:

- (a) Schedule "A" - Intellectual Property;
- (b) Schedule "B" - Release; and
- (c) Schedule "C" - Indemnity.

3. Purchase and Sale

3.1 Subject to the terms and conditions of this Agreement, and subject to any adjustments provided herein, Powertech agrees to sell, assign and transfer to Fama and Fama agrees to purchase from Powertech, the Purchased Assets, on the Closing Date.

3.2 As consideration for the acquisition of the Purchased Assets by Fama, Fama shall pay the Purchase Price to Powertech immediately following the transfer to Fama of the Purchased Assets on the Closing Date such Purchase Price to be allocated as follows:

- (a) \$1.00 to the Purchased Shares;
- (b) \$1.00 to the Gasmaster Debt; and
- (c) the remainder to the Intellectual Property.

3.3 Fama covenants and agrees that, on the Closing Date:

- (a) it will execute the Mutual Release attached hereto as Schedule "B";
- (b) it will discharge all of Powertech's other liabilities owing as of the Closing Date; and
- (c) it will execute an Indemnity in favour of Powertech in the form attached hereto as Schedule "C".

3.4 Gasmaster covenants and agrees that, on the Closing Date, it will execute the Mutual Release attached hereto as Schedule "B".

3.5 Powertech covenants and agrees that, on the Closing Date, it will execute the Mutual Release attached hereto as Schedule "B".

4. Closing

4.1 The Closing shall take place at 10:00 a.m. (Vancouver time) on the Closing Date at the offices of the solicitors for Powertech, Anfield Sujir Kennedy & Durno at Suite 1600 - 609 Granville Street, Vancouver, British Columbia, V7Y 1C3.

A/99999999/28917.1

-4-

- 4.2 At the Closing, Powertech and Gasmaster shall execute and deliver to Fama all bills of sale, assignments, instruments of transfer, deeds, assurances, consents and other documents as shall be necessary to effectively transfer to Fama all of Powertech's right, title and interest in, to and under, or in respect of, the Purchased Assets, and shall deliver up to Fama possession of the Purchased Assets, free and clear of any liens, charges or encumbrances or rights of third persons. Powertech and Gasmaster shall co-operate with Fama, at such time or thereafter, in effecting all registrations, recordings and filings with public authorities as may be reasonably required in connection with the transfer of ownership to Fama of the Purchased Assets.
- 4.3 At the Closing, Fama shall execute and deliver to Powertech:
- (a) the Release in the form attached hereto as Schedule "B"; and
 - (b) the Indemnity in the form attached hereto as Schedule "C".
- 4.4 Provided that Powertech has designated amounts to the maximum extent permitted under section 80 of the *Income Tax Act* (Canada) in respect of the forgiveness of the Powertech Debt, Gasmaster agrees to enter into an agreement in prescribed form T2156, to transfer forgiven debt under section 80.04 of the *Income Tax Act* (Canada).
5. **Representations and Warranties**
- 5.1 **Representations and warranties of Powertech.** Powertech represents and warrants to and with Fama that:
- (a) Powertech has all necessary power, corporate or otherwise, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Powertech;
 - (b) Powertech is the legal and beneficial owner of the Purchased Assets with good and valid title, free and clear of any mortgages, liens, charges, pledges, security interests or encumbrances or any rights of others to acquire any ownership interest in any of the Purchased Assets (other than such as may be held by Fama) and, subject to any licenses that Powertech has granted Gasmaster concerning the Purchased Assets, is exclusively entitled to possess and dispose of the same;
 - (c) Powertech does not have any outstanding agreement, contract or commitment, whether written or oral, of any nature or kind whatsoever, concerning the Purchased Assets of which Fama is not aware;
 - (d) Powertech is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada);
 - (e) this Agreement constitutes a legal, valid and binding obligation of Powertech, enforceable against it in accordance with the terms of this Agreement, subject, however, to limitations with respect to enforcement imposed by-law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific

A/99999999/28917.1

**** Unedited ****

Indexed as

Comstock Canada v. Electec Ltd.

Between

Comstock Canada and Lundrigans-Comstock Limited, Plaintiffs,
and

Electec Limited and Gordon Douglas Hyde, Defendants

And Between

Electec Limited and Gordon Douglas Hyde, Plaintiffs, and
Comstock Canada, Lundrigans-Comstock Limited and 169718 Canada
Ltd., Defendants

[1991] F.C.J. No. 987

Action Nos. T-1313-86, T-2216-87

Federal Court of Canada - Trial Division

Ottawa, Ontario

Muldoon J.

Heard: December 4 - 8, 11 - 14 and 20, 1989

Judgment: September 13, 1991

(41 pp.)

*Patents of invention — Ownership of invention, where inventor an employee —
Trademarks, names and designs — Designs — Infringement.*

Actions concerning a patent and industrial design infringement. The plaintiff in one action sought a declaration that he was the inventor of a patent. At issue were to determine the inventor of the patent and whether the invention fell within or outside the scope of the inventor's employment.

HELD: Judgment for plaintiff in the action for a declaration that the individual plaintiff was the sole inventor and exclusive owner of the patent and for an order varying it accordingly or declaring the patent invalid. Judgment for the defendants in their action to impeach and expunge their industrial design registration for the same invention.

STATUTES, REGULATIONS AND RULES CITED:

Federal Court Act, R.S.C. 1985, c. F-7, s. 20.

Federal Court Rules, Rule 337(2)(b).

Patent Act, R.S.C. 1985, c. P-4, ss. 2, 27, 43, 45, 49, 50, 52, 61.

Robert H. Barrigar Q.C. and Lynn Cassan, for the Plaintiffs, Comstock Canada and Lundrigans-Comstock Limited.

J. Bruce Carr-Harris and David A. Aylen, for the Defendants, Electec Limited and Gordon Douglas Hyde.

MULDOON J.:— These two cases, involving the same parties, were heard together at one session in Ottawa. There are two issues to be decided which will answer the questions in both the earlier industrial design registration case (T-1313-86) and the later patent impeachment case (T-2216-87). The first issue is: Who is the inventor of the system disclosed in Canadian Patent No. 1,219,307 (exhibit 1) and registered in Industrial Design no. 55917 (exhibit 36)? If the Court finds that Gordon Douglas Hyde is the sole inventor, the Court must then decide the second issue: Was the invention made by him within or outside the scope of his employment such that Comstock has a right to claim Mr. Hyde's invention as its own?

The threshold question involved in these cases is one of pure credibility. It will be noted further in this judgment that the case for Comstock requires the Court to adopt various inferences and assumptions as truth, something which the Court is unable to do.

The industrial design impeachment action and the patent impeachment action flow out of the same events. The industrial design action (T-1313-86) was commenced first, therefore being somewhat limited to the narrow issue. The patent action (T-2216-87) repeats all of the facts set out in the industrial design action and includes the more recent developments. It is desirable therefore to set out the facts in chronological order.

Comstock International, a Canadian corporation, was initially the sole plaintiff in the industrial design case filed by way of statement of claim on June 11, 1986. On November 30, 1987, Comstock International Ltd. was amalgamated with one other corporation. On that same day, Comstock International transferred all of its assets, liabilities and businesses, including claims arising out of contracts or otherwise to Comstock Canada. Comstock Canada is identified as a limited partnership registered under Ontario laws. Lundrigans-Comstock is the general partner. Comstock Canada is therefore claiming as successor-in-title of Comstock International (exhibits 39, 40 & 41).

The defendant Electec Limited is an Ontario corporation which was incorporated on September 1, 1978. It has a registered office in Nepean, Ontario. Gordon Douglas Hyde, also a defendant, and his wife Susan Gail Hyde are the registered directors and officers of Electec.

In respect to the patent action, (T-2216-87), at the opening of this trial the pleadings were amended to reflect the fact that Comstock and Lundrigans had assigned or otherwise disposed of their interest in Canadian Patent 1,219,307 to a numbered company 169718 Canada Ltd. Counsel for the defendants acts for this company as well, and consented to the amendment which added the company as a defendant in this action, for

all purposes, subject to certain terms. These terms are that 169718 Canada Ltd. will not otherwise be involved in this proceeding; it will seek no costs on the condition that none is sought against it and that it understands it is bound by the outcome.

Hereinafter Comstock Canada and Lundrigans-Comstock Limited are referred to as "the plaintiffs" or simply "Comstock", and Electec Limited and Mr. Hyde are "the defendants", or "Electec" or "Hyde".

On November 23, 1981, Hyde was employed by Comstock as Manager, Electrical Department, Eastern Ontario Division in Nepean (exhibits 3-1 to 3-5). Comstock dismissed Hyde on September 20, 1985 (exhibit 3-18). Neither of these statements is denied by Hyde.

The invention consists of a system for interconnecting light fixtures by means of modular receptacles and armour-cabled cord sets which enable the light fixtures to be electrically chained together simply by plugging in connectors from one fixture to the next, including switch receptacles. The great advantage to the interconnection system is its significant labour-saving feature (Hyde written facts, p.I, para. 2).

Electec filed an industrial design application for a "receptacle plug combination" on November 26, 1985. It was assigned application no. 26-11-85-1. The application was registered under no. 55,917 on March 4, 1986 naming Electec as the proprietor of the design (exhibits 3-22 & 36).

The patent in suit (exhibit 1) indicates that the invention is a "wiring system for electrically wiring together a plurality of lighting fixtures to a single phase power source...". The system consists of a plurality of integrally moulded fixture interceptors (also referred to as receptacle combination component) (exhibit 4), switching interceptors and joiner cable connectors formed of thermoplastic materials (exhibit 3-24, pp. 18-22). The invention was entitled "Modular Interconnecting Wire System with Moulded Mating Components". The issuance of Canadian patent 1,219,307, the patent in suit (exhibit 1), to Comstock on March 17, 1987 resulted from the submission of an application by Comstock to the Canadian Patent office on May 8, 1986; T. Dods is named as the inventor.

The defendants state the inventor had to have two concepts in mind: the concept of interconnecting electrical fixtures, and the concept of injection moulded thermoplastic components. The defendants submit only Hyde addressed both, and so the defendants' counsel argued definitively (Hyde direct examination, vol. 1, pp. 63-70; Hyde oral argument, p. 320).

The defendants submit every inventive feature disclosed and claimed in patent claims 1 through 8 was disclosed by Hyde in his September 6, 1984 drawings (exhibit 6). On May 6, 1987, Hyde on behalf of Electec filed patent application no. 536,527 for an invention which was also dealing with interconnecting wire system and was similarly titled. This application, filed not 2 months after the issuance of patent 1,219,307, was

subsequently refused on August 18, 1987 (exhibit 14). Hyde asserts that he should be named the sole inventor in patent 1,219,307.

Despite plaintiffs' claims that it is purely mechanical, the patent is both mechanical and electrical (Hyde written reply, paras. 1 & 2; Comstock oral argument, pp. 125 & 174-76; Comstock written facts, pp. 13-15).

The plaintiffs maintain that at the time of Hyde's dismissal in September, 1985, neither Comstock International nor its Vice President, W.L. Barber, to whom Hyde reported, was aware of the existence of Electec or of Hyde's connection with it. The defendants argue that, on the contrary Mr. Barber and others were fully aware that Hyde operated a business (Electec) involved in the design and manufacture of electrical components. This matter will be dealt with later in these reasons.

Both parties agree that the development of the extension cord (joiner cable), the concept of interconnect systems in relation to electrical fixtures and the need to have an appropriate connector fixed to the armoured cable arose in the context of the Gillin Building project which took place in 1983-84 (Lodge in cross-examination, vol. 4, p. 168; Dods direct examination, vol. 6, p. 57).

Hyde submits there were two features of the Gillin project which were the "seed of the idea and concept". One feature involved an unsuccessful search for a connector which would enable him to chain heaters together as they went along the walls of that project (Hyde direct examination, vol. 1, pp. 79 & 80; exhibits 3-6 & 25). The second feature resulted from the fact that lighting fixtures were supplied with cord wires which were too short to meet the quadplex or power boxes, set in the slab at various points so that light fixtures could be plugged into them. Although unachievable at the Gillin project (Hyde direct examination, vol. 1, p. 86), both of these features, Hyde asserts, he recognized as needed to take the next step to an interconnect system: that is the facility of moulding, or having an appropriate connector to simplify this process connected to some AC90 or BX armour cable (Hyde direct examination, vol. 1, p. 94). Hyde agreed with the plaintiffs that the Electec heater drawings dated January, 1985 (exhibit 10) related to the Bourque building were modelled on earlier Comstock drawings (exhibits 27 and 29; Hyde in cross-examination, vol. 2, p. 151) which were taken from other supplier's drawings, but they do not show the interconnect system (Hyde in re-examination, vol. 3, pp. 66-68).

Comstock states Hyde's "seed of the idea" is not credible. They state the heater fixture connection idea was a simple, primitive and trivial idea that is found in available lighting interconnect systems of the relevant period and is not novel (Hyde in cross-examination, vol. 1, pp. 91-93). They submit the heater interconnect story is a "red herring" (Comstock written reply, pp. 1 & 2). Comstock states lighting fixture interconnect systems were well known and long understood before 1983 (exhibits 19, 20 and 23; magazine articles/brochures, Hyde cross-examination, vol. 2, pp. 111-116). These systems included armoured cable with suitable connectors on either end and dual fixture interceptors for insertion in a light fixture, permitting fixtures to be chained together

(exhibits 21 & 22 and samples exhibits 74 through 76; Hyde cross-examination, vol. 2, p. 126; Dods direct examination, vol. 6, pp. 81-83). Individual switching elements were also well understood. The problem was the need for special moulded connectors: labour was saved but this was offset by manufacturing costs (exhibits 24 & 26 and Hyde cross-examination, vol. 2, p. 127). [Hereinafter, cross-examination may be noted by "in cross" as well as "cr-exam."; and direct examination by "in chief" as well as by "dir. exam.".]

Hyde submits that at a trade show in Ottawa in early 1984 he saw an example of injection moulding and had the idea that this method of manufacture may provide a solution (Hyde in chief, vol. 1, pp. 95-97). Later at the office, Hyde spoke with Robert Larabie ("Larabie"), a draftsman for and at Comstock, and asked him to assess whether a company called Ketchum could do injection moulding to BX cable. Terry E. Dods (hereinafter "Dods"), an employee of Comstock International and Hyde's assistant manager, present at this time, volunteered to discover whether Noma Industrial Cords Co., a Division of Noma Inc., could perform adequately as an injection moulder. Larabie was unsuccessful. However Noma, through its representative, Douglas Drew ("Drew"), claimed they could mould anything to anything (Hyde in chief, vol. 1, pp. 101-103).

According to the plaintiffs, from May to August, 1984, it was not Hyde but Dods who conceived and proceeded to develop an electrical wiring system for use in building lighting installations (Comstock written reply, p. 2; Comstock oral argument, pp. 129-133). They submit Dods is the first to take steps to obtain AC-90(BX) extension having conventional moulded cord caps (male and female) at both ends (Dods in chief, vol. 6, pp. 62 and 101). Charles Lodge, a Comstock estimator, (exhibit 43), states the Comstock team consisting of himself, Hyde, Larabie, and especially Dods invented the interconnect system (Lodge in chief, vol. 4, pp. 162 & 163) but his evidence regarding the heater interconnect was given only at trial (in cross, vol. 4, pp. 172 & 73). Guy Legault, a Comstock project controller, in his testimony, states the four involved were himself, Larabie, Hyde and Dods (vol. 4, pp. 185 & 189). Although Comstock submits Larabie could not know who had the original idea for moulded connector since he was not involved in the earlier dealings with Wiremold Company of Connecticut, of whom Guillevin International Inc. were distributors (hereinafter: "Wiremold") (Larabie in cross, vol. 3, p. 133), Lodge later in cross-examination states he has no reason to doubt the testimony of Larabie that Hyde first had the idea (vol. 4, p. 192). George Gregory, Comstock's purchasing agent, states he went to Wiremold and discussed this with Dods. Although he stated Dods was the prime individual with whom he was involved, Gregory did not know who actually identified the problem because that, he said, would happen on the site (vol. 3, pp. 199-201, 237 & 238 and exhibit 37).

Dods' first investigations of Wiremold "proved out not to be satisfactory; it didn't solve the problem" (Dods in chief, vol. 6, pp. 64-67, exhibit 73). He later contacted Noma and received samples (Drew in chief, vol. 5, pp. 7, 8 and 11; Dods in chief, vol. 6, p. 69 and exhibits 44, 47, 48, 74 and 75). Hyde had decided that the material from Wiremold was too expensive and therefore rejected the idea of buying from that company (Dods in chief, vol. 6, p. 85). The defendants state Dods had very little to do with the invention outside of his locating Noma and dispute Dods' "inventiveness" (Hyde in cross, vol. 2,

pp. 43, 44, 139 & 143-146; Larabie in chief, vol. 3, pp. 100 & 101; Drew in chief, vol. 5, p. 79, exhibit 15; Hyde oral argument, p. 115). Not only does Dods inadvertently corroborate Hyde's assertions, but the Court finds Hyde to be the most credible of witnesses in this litigation.

There was no discussion by Hyde with Larabie or Dods about the female/male (combination) receptacle required for the interconnect system (Hyde written facts, p. 2; Hyde oral argument, pp. 29-33; Hyde in chief, vol. 1, p. 124; Hyde in re-exam., vol. 3, p. 74; Larabie in cross, vol. 3, p. 134). Comstock states this is trivial as twin-receptacle fixture interceptors were well-known and standard for lighting fixture interconnect systems (Comstock written reply, p. 3).

Comstock submits Dods wanted to avoid need for special connectors. His idea was simply to join together conventional male and female connectors side by side. Dods wanted to refine this concept and provide both male and female connectors within a single moulded piece but that was a refinement and not necessary to the basic interconnect concept. With Comstock's assertion that these combination connectors were not new, it is all the more surprising that when Dods was shown the Hambly drawing (exhibit 52), he confused the female and male receptacles (Dods in cross, vol. 7b, pp. 61-65). When it was suggested to Dods that there appeared to be an error in the wiring document contained in the patent (exhibit 3-24, fig. 8(c)), he did not exhibit the facility of understanding of an inventor, particularly in light of the fact that fig 8(c) is essentially the same in wiring as is exhibit 6-3 which he takes credit for authoring (Hyde written facts, pp. 12 & 13). The testimony to the effect that he was the inventor and that Hyde was not, is rejected.

Comstock submits the central technical problem was to locate a manufacturing source of BX extensions with moulded connectors at each end. Everything else in the interconnect system would then simply "fall into place" (Comstock written reply, pp. 3 and 10; Comstock written facts, pp. 6 and 11; Hyde oral argument, pp. 57-58). This is highly unlikely; it is a very substantial conceptual leap from need to obtain extension cords for light fixtures to the conception of an entire interconnect system involving a number of moulded, matched interconnect components.

While it is obvious that BX extension cords with connectors at both ends have to connect or plug into something, the defendants' version provides the specific mechanical choice of moulded components having specifically designed configurations suitable for the manufacture of a low-priced electrical interconnect system. Comstock acknowledged that a single moulded fixture interceptor having two receptacles (male/female) did not per se exist, although often cost-prohibitive dual receptacle fixture interceptors made of steel did exist (Hyde in cross, vol. 2, pp. 120-122; Hyde written facts, p. 5; Hyde oral argument, pp. 19-20).

Dods organized a meeting with Noma representative Drew which took place in Toronto on September 6, 1984. The parties disagreed as to whether that was the primary purpose of the trip (Hyde in chief, vol. 1, pp. 103-107; Drew in chief, vol. 5, pp. 27 & 28;

Dods in chief, vol. 6, pp. 83-84 & 86-87; Hyde oral argument, pp. 9 & 10) but there is agreement that it was one of the reasons for the trip.

The plaintiffs state the moulded connector cap on BX cable had already been produced by Noma as a sampler (exhibitS) prior to this meeting (Comstock written reply, pp. 4, 17 & 18; Comstock written facts, pp. 6, 7 & 9; Comstock oral argument, pp. 136-38 & 158) and it was available in Comstock's offices the next day (exhibits 47, 48 & 72). These samples were simply previously manufactured extension cords. (Drew in chief, vol. 5, pp. 8, 9 & 40, in cross, vol. 5, p. 155; Hyde in cross, vol. 2, pp. 173 & 74; exhibit 44; Hyde oral argument, p. 28 and pp. 329-330).

There is no evidence to suggest that the Electro-connect system was known by Drew or that he utilized that concept in the period May-September 1984 to develop his drawings (exhibit 45) which Comstock asserts were made before the September 6, 1984 meeting (Comstock written facts, pp. 6 & 9; Comstock written reply, pp. 11-13 & 16-17; Hyde written facts, pp. 6 & 7). Before this meeting Dods consulted Drew with respect to only one thing - ability to mould the cord cap to BX cable; the concept itself and specifically the male/female receptacle or fixture interceptor were not presented to Drew until that meeting (exhibit 65-1; Drew in cross, vol. 5, pp. 158-59 & 164-65).

Both parties do appear to agree that only the moulding was discussed at the September meeting (Comstock written reply, p. 17; Hyde written facts, p. 7; Hyde oral argument, pp. 24-27, 34 and 39-40; Dods in cross, vol. 7b, pp. 5-7). Pricing was done in advance of this meeting only in respect of the moulding according to Drew (exhibit 67). No pricing was done of the male/female receptacle until Sept. 10, 1984 (exhibits 46 & 68; Drew in cross, vol. 5, p. 161; Dods in cross, vol. 7b, pp. 5, 6, 11 & 15-18). Comstock states this is not surprising as Noma already had prepared a specimen cord cap mould onto BX. The Court is to assume that Drew was not confident Comstock would accept his desire to design and manufacture cord cap moulds for twin-receptacles and therefore it made sense he would await the meeting results to discuss price. The fixtures only existed as a product in spring 1985 when prototypes were made (exhibit 74: twin female receptacle; exhibit 75: male/female receptacle; exhibit 77: male/female recessed fixture interceptor). The apparently unmarked (i.e. no Electec name) exhibit 77 prototype was in Hyde's possession as he stated and could not have come into Dods' possession until after January 29, 1986 according to the memo, exhibit 84, para. 2 (Hyde written reply, p. 2).

Hyde made rudimentary drawings (exhibits 6 and 30) at this meeting of September 6, 1984, which he states reflected all aspects of the interconnect system (Drew in chief, vol. 5, pp. 36-39 and 43; Dods in chief, vol. 6, pp. 104-06 and 113; Dods in cross, vol. 7b, pp. 46 & 47; Hyde oral argument, pp. 10-11 & 20-21). He signed and dated them in Dods presence (Hyde in re-exam, vol. 3, p. 87; Dods in chief, vol. 6, p. 107 and in cross, vol. 7b, p. 29). Hyde only recalls these signed drawings and his allegedly earlier drawings (exhibits 3-7a and 3-7b) (Hyde in cross, vol. 2, pp. 171-72). Drew states he came prepared with his drawings (exhibit 45, Drew in chief, vol. 5, pp. 15-17 & 19-25) but seems to suggest the discussion of male/female component came later (Drew in chief, vol. 5, pp. 11 & 12). Exhibit 45 does not reflect the specimen (exhibits) presented at the

meeting (vol. 5, pp. 29-33; Hyde oral argument, pp. 22, 23 and 40). It is also inferred that other sketches are "missing" (vol. 5, pp. 28 & 29). Comstock submits Dods had earlier drawings and came to the meeting with them (Comstock oral argument, pp. 135 & 139-143). Dods stated both he and Drew had sketches but Drew does not remember seeing Dods' sketches (Drew in cross, vol 5, p. 197; Dods in chief, vol. 6, pp. 88-90 & 97-98; Dods in cross, vol. 7b, pp. 18-22, 30-31 & 42-44). Dods has no proof of his sketches; he alleges that Hyde may have them. That is spurious. On the other hand, Drew's memory of events is generally unreliable and his testimony cannot be accepted wherever it differs from Hyde's version of events.

However it does not make sense that Hyde would go away and draw the rudimentary drawings reflected in exhibits 3-8, 6 and 30 if the more detailed exhibit 45, Drew drawings, were available (Hyde oral argument, pp. 22 & 23; Drew in cross, vol. 5, pp. 166-168). Why would Dods bring drawings if Drew had already prepared his drawings (Hyde written facts, p. 7)? Hyde made no claims to Drew it was his idea but Drew gives some credit to Hyde (Drew in cross, vol. 5, pp. 181-183; Comstock oral argument, pp. 146-150, 180 & 181; Dods in chief, vol. 6, p. 111).

Comstock states Hyde's drawings at the September 6, 1984 meeting generated no new ideas and were useless for moulding ("technical not correlation") purposes, therefore Hyde made no technical contribution "although he may have been sufficiently unfamiliar with the technology that he did not realize this". Yet at the same time the plaintiffs argue that Hyde was chosen to draft a rough sketch of the proposed interceptor design for Noma so that Noma could suggest the most economic tooling and moulding means to implement the fixture interceptor component. Hyde was chosen because he was considered to be the better draftsman; they also claim that Hyde needed merely to rely on Dods' description to accomplish that task. Hyde does not deny his superior drafting skills but one must infer that Hyde had prior knowledge of the components to be able to draft them correctly.

The plaintiffs also state Hyde's earlier drawings (exhibits 3-7a & 3-7b) are unsupported. They submit that one of the exhibits 3-7a & b drawings shows a four-receptacle switching interceptor manifested in the form of exhibit 28 available in 1986. This switching interceptor is, according to the plaintiffs an integral part of claim 1 and claim 8 of the patent. They submit none of the exhibits 6, 3-8 & 30 show such a receptacle, but "Dods drawing (exhibit 79) and possibly Drew's drawing (exhibit 45-2), do (Hyde in cross, vol. 2, pp. 193-194 & 197-99; vol. 3, pp. 60 & 61; Comstock oral argument, pp. 175 & 201-04; Dods in chief, vol. 7a, pp. 54-55 & 59-68; exhibits 78, 80, 58 and 59; Dods in cross, vol. 7b, pp. 31-39; Larabie in cross, vol. 3, p. 138). Hyde explains this as a variation of one of his sketches (exhibit 6(3)) and that the sketch and exhibit 28 are "functionally equivalent", i.e. this modification added nothing to the concept (vol. 3, pp. 63 & 64). Lodge in chief also described it as a mere "adaptation" (vol. 4, p. 146).

Comstock submits the issue of the lock-in-flange also shows that Hyde added this after he and Dods returned to Comstock. Hyde submits the detail shown in the post-

September 6 drawings (exhibits 6, 3-8 and 30) mean that the exhibit 3-7 drawings predate the meeting with Drew. As well Drew's drawings (exhibit 45) show Noma's method for holding the male/female receptacle firmly in the fixture opening by means of a slot designated thereon as "to fit in sheet metal cut out". The slot shown in exhibit 45 is that which appeared on the detailed drawings provided by Noma in December and January of 1985, 1986 (exhibits 78 & 79) and the product that was produced (exhibit 77) following that design. Dods' testimony requires the Court to assume, even though exhibit 45 was already in existence, that there would have been some discussion of a lock-in flange per exhibit 6 (Hyde written facts, p. 7; Hyde in chief, vol. 1, pp. 107-109 & 125-127; Hyde in cross, pp. 181-183, 187-188, 190-91 & 195-97; Hyde in re-exam, vol. 3, p. 75; Comstock oral argument, pp. 144-46 and exhibit 21; Dods in chief, vol. 7a, p. 3; Dods in cross, vol. 7b, pp. 26-28; Larabie in cross, vol. 3, p. 137).

The Court concludes that the drawings, shown to Drew at the meeting in Toronto on September 6, 1984, and identified here, were Hyde's drawings alone and that they disclose his invention.

Hyde states Noma and Dods have now changed their position in order to deal with the problem of the earlier drawings (exhibits 3-7a & 3-7b) (Hyde oral argument, p. 24; exhibit 65-1, para. 1, exhibit 65-2, p. 1, para. 3; Drew in cross, vol. 5, p. 172; Barber in cross, vol. 8, pp. 92-94; exhibit 15, pp. 2 & 3; exhibit 84, pp. 1 & 2, para. 8; Dods in cross, vol. 7b, pp. 7, 8, 13 & 14).

What appears to have taken place after the September, 1984 meeting is as follows: both parties agree that Drew sent a drawing to Hyde dated December 17, 1984 (exhibits 3-13, 3-14(2) and 8-2) which had on it the Electec name (Hyde oral argument, p. 112; Comstock oral argument, p. 153; Hyde written facts, pp. 3 & 8). The following January 4 (1985), the Larabie drawing EP2 (exhibits 3-14(3) & 8-3) was created which also had the Electec name on it (Hyde in cross, vol. 3, pp. 5 & 7; Dods in cross, vol. 7b, pp. 51-53, 55-57 & 59; Drew in chief, vol. 5, pp. 77-79 and cross, vol. 5, pp. 169-172; Larabie in chief, vol. 3, pp. 108-09 and cross, vol. 3, pp. 148-150).

Hyde prepared some annotations on the drawing and returned them to Noma (exhibits 3-14(1) & 8-1). The Plaintiffs contend that Hyde reviewed the drawing and approved the design in his capacity as manager. Hyde states he never did so in his capacity as an employee of Comstock International. He states Noma prepared a redrawn and redesigned drawing dated January 16, 1985 reflecting some of Hyde's changes which drawing was stamped approved on behalf of Electec and returned to Noma February 1, 1985 (exhibits 3-15, 9 & 52). Although the plaintiffs allege that the changes reflected/incorporated Dods' ideas (Comstock oral argument, pp. 154-58), the defendants state that at this stage Dods was no longer involved (Hyde in chief, vol. 1, p. 159). The defendants statement is supported by the plaintiffs' witness (Drew in chief, vol. 5, pp. 56, 59, 79-80 & 82-87; Larabie in chief, vol. 3, p. 105).

Hyde stated he guarded his drawings, and he was acknowledged to be not a "team player" by David Reid, Comstock Vice-president (Reid in chief, vol. 4, p. 25, Hyde in

chief, vol. 1, pp. 152 & 163; Hyde in cross, vol. 2, pp. 190-191, vol. 3, pp. 7-8 & 10; Hyde in re-exam, vol. 3, p. 85). Comstock argues that Hyde would consult others is a more believable version, and Drew gave full credit to Hyde only because he had no way of knowing Hyde was trading views with Dods. Hyde goes only so far as to acknowledge that he made some people aware of the samples such as exhibit 5 he had (Hyde in chief, vol. 1, pp. 149 & 163; Hyde written facts, p. 3; Hyde oral argument, p. 113; Comstock written reply, pp. 4 & 5; Comstock written facts, pp. 7 & 12; Comstock oral argument, pp. 170 & 171).

The evidence is undisputed that Hyde reviewed exhibits 3-14(1), 3-15(1), 9-2 & 52 and they have Electec name on them. The dilemma for Dods is if he admitted he saw the drawings he must deal with the fact the Electec designation is on them. If not, why was he not, as "inventor", involved with Noma at this stage? Dods stated he saw a drawing but it was not one of the exhibits, however Dods' prior written statements make no mention of the drawings. His "input" is merely a repetition of what Hyde wrote on drawings. Dods testified he participated in changes to Noma drawing, exhibit 52, yet Dods denied having seen exhibit 3-14 which illustrated the proposed changes. Comstock argues Dods was focused on events leading up to his arrangement with Drew to ascertain that Noma could do the job. Dods gave an explanation at trial for the reasons for recessing the second receptacle as well as the first, which is not reflected in any way on the notes on the drawings. The Court cannot find that there was an earlier drawing without the Electec name (vol. 5, pp. 73 & 74) or that Hyde may have wished to conceal Electec involvement by not showing Dods, exhibit 3-14, as Comstock alleges (Comstock written reply, p. 19; Hyde written facts, pp. 8 & 9; Hyde oral argument, pp. 35-38, 41-42 & 45-46).

Comstock submits that despite the above noted conflict of testimony there is enough evidence to support the claim of Dods-Hyde-Drew, or the "Comstock team" as inventors. Comstock states Dods and Hyde invented the basic concept and Drew created the means of a physical realization of the concept. Comstock's witnesses stress the "team" concept (exhibit 43, Lodge in chief, vol. 4, pp. 136-37, 139, 146, 149 & 152; Drew in cross, vol. 5, pp. 171-72 & 175-76, re-exam, vol. 5, p. 200; Legault in chief, vol. 4, pp. 182 & 185-86; Rubin in chief, vol. 6, p. 6; Dods in chief, vol. 6, p. 40, vol. 7a, pp. 81-82; Budau in cross, vol. 8, p. 139; Gregory in chief, vol. 3, p. 221; Comstock written facts, pp. 5, 6 & 25; Comstock oral argument, pp. 182 & 204-205; Hyde oral argument, p. 337).

The issue of Dods' credibility has been already mentioned in relation to the content of his testimony. He did not recognize an error which the real inventor most certainly would have recognized straight away, as Hyde did. Although the testimony of Dods was replete with examples, especially on cross-examination, which influenced the Court's low regard for his credibility - including both veracity and ability to recollect - generalizations are not adequate for such a serious matter. Dods' testimony recorded in volume 7a and especially between pages 82 and 138, where his answers are less crisp and much more evasive than in chief can serve as one, but not exclusive focus. Confronted with a letter, exhibit 65(5), from Drew, who alone with Dods and Hyde attended the crucial meeting in Toronto on September 6, 1984, in which letter Drew proposed redesigning "the profile of

the recess" [allegedly Dods' design] "to give it some arbitrary shape, and to register the design * * * with this shape incorporated" in order to "circumvent the Electec design registration" * * * [and] render the Electec receptacle useless", (vol. 7a, p. 132) allegedly Dods' "baby", Dods replied (vol. 7a, p. 133):

Well we believed - I believed I was the inventor. I still do today. The product was ours.

Believed? Faith is wonderful, but contrasted with Dods in chief, this dogged, defensive and even doubtful reply leaves the Court with a lively inference of Dods' consciousness of prevaricating.

The plaintiffs' own counsel by a mindless (counsel's own word) giving a transcript of Hyde's testimony to Dods to read before he testified further contributed to the light-weight insubstantiality of Dods' testimony (Transcript: vol. 6, pp. 25-32). An order for exclusion of witnesses, excepting Hyde the first witness, was made with the consent of the plaintiffs' counsel even though the possible utility of having Dods present to instruct counsel was canvassed. So, the order specifically included Dods, unless counsel had need of Dods if "a very serious problem of trying to fathom points that are surprises to us" in regard to the evidence generally and testimony of Hyde particularly, arose (vol. 1, pp. 9 & 10). If so, counsel undertook to discuss the question with the Court and with defendants' counsel, but he did not do this. Providing a transcript to an excluded witness, even when not wilful nor contumacious, is a serious breach of the Court's order of exclusion of witnesses. It is more helpful to such witness than would be merely sitting in Court, for the witness can range back and forth over the written word and parse it at leisure. As already noted, then, the Court is left with only a low regard for Dods' testimony. He was not a credible witness.

Hyde told Dods that Hyde and his company, Electec, would proceed with this product if the moulding cost was not expensive (Hyde in chief, vol. 1, p. 127). Quotations were given by Noma to Comstock "attention Terry Dods" (exhibits 68, 49, 3-9, 33 and 7 Hyde note Nov. 1/84). On November 6, 1984 Noma sent Comstock to the "attention of Mr. Hyde" a quotation of \$6500 for the tooling (exhibits 50 & 3-11) to be used in the manufacture of the fixture interceptor component (Drew in chief, vol. 5, pp. 64-65; Dods in cross, vol. 7a, pp. 90-92; Hyde in cross, vol. 2, pp. 96-98 & 102). Hyde paid it by letter dated December 4, 1984 making it clear to Noma it was dealing with Electec, and indicating at the same time the need for Electec to be embossed on the moulded components (exhibits 3-12 & 3-13; Hyde in chief, vol. 1, pp. 139-42, vol. 2, p. 25; Drew in chief, vol. 5, pp. 66 & 94). Hyde did not refer the quotation (Hyde in cross, vol. 3, pp. 36 & 37) to either his superior or any other employee of Comstock International; nor did he refer the quotation to Comstock International's accounting department. It is advanced that Hyde fraudulently paid the \$6500 himself with a cheque he signed with an accompanying letter to Noma on Electec's letterhead stating that all future correspondence be directed to Electec's address, which was Hyde's home (Hyde in cross, vol. 3, pp. 33-37). The defendants acknowledge that Hyde received a quote for the tooling; they submit however that the subsequent direction that the tooling be fabricated

was done on behalf of Electec (Hyde written facts, p. 3; Hyde oral argument, pp. 11 & 12; Comstock oral argument, pp. 152 & 153). Drew ignored this and in fact never invoiced Electec (Hyde in cross, vol. 2, p. 104, vol. 3, p. 23).

Hyde states samples of the product, which he guarded, were forwarded before the Electec name was engraved upon them; Dods and Fish were also aware of them (Hyde in chief, vol. 1, pp. 164-65). Hyde denies that Dods had any samples at this time (Hyde in cross, vol. 3, pp. 14 & 15; Barber in cross, vol. 8, p. 73; Badau, vol. 8, p. 125). Engraving could not be done, according to Drew, until after approval of samples (Drew in chief, vol. 5, p. 56 & 57; Hyde oral argument, pp. 12 & 13). After the samples were approved, the product was ordered and delivered to Comstock by Noma in June-July 1985 with Electec name embossed on them (exhibits 55, 56 and 91; Dods in chief, vol. 7a, pp. 27, 29 & 31-36).

Drew thought Electec was a division of Comstock, but admits that when Hyde requested the invoices to go to Electec, Drew "basically ignored his request" (Drew in chief, vol. 5, pp. 55, 58, 69, & 71 and in cross, vol. 5, pp. 134 & 196-97, re-exam, vol. 5, p. 204; Hyde in cross, vol. 2, p. 104; vol. 3, p. 23; Barber in chief, vol. 8, pp. 22 & 23; Hyde written facts, p. 3). As well, even though Noma was alleged to be the supplier for Comstock, there was no evidence of any purchase order from Comstock (Gregory in cross, vol. 3, pp. 232-33). In exhibit 82-1, a memorandum prepared by Dods following Hyde's termination on October 22, 1985, it is indicated at paragraph 3B that there were Noma invoices in the possession of the Comstock accounting department (Hyde written reply, p. 3).

Comstock International installed the wiring system at a trial project at 99 Metcalfe in Ottawa in June, 1985. Hyde oversaw the ordering and delivery of the goods used in this trial project.

An invoice was sent from Noma to Comstock on July 15, 1985 (exhibit 32). Hyde states an invoice (exhibit 3-16) from Electec was submitted to Comstock July 22, 1985, a Purchase Order was issued by Comstock dated August 13, 1985 (exhibit 31) and a cheque for payment dated August 20, 1985 was issued to Electec (exhibit 3-17) and signed by Barber for Comstock. Barber indicated that he would have seen the quotations from Noma (exhibits 3-9 and 3-11) and that he questioned the cheque he signed for Electec as it was "not our standard procedure in paying a supplier" (Barber in chief, vol. 8, p. 21; Barber in cross, vol. 8, pp. 70 & 76). When Dods questioned Hyde about Electec, Dods stated Hyde told him all was in order (vol. 7a, pp. 37 & 38), and from Hyde's point of view it was. At no time between September, 1984 and September, 1985 did Barber or anyone else at Comstock express any great interest in knowing the costs associated with Noma's involvement.

Despite Barber's statement denying knowledge of being aware of Electec until after Hyde was dismissed (Barber in chief, vol. 7b, p. 130). Barber and Dods must have known of the involvement of Electec as supplier of the interconnect system at 99 Metcalfe (Hyde in cross, vol. 3, pp. 51-52). Dods also testified that Barber was aware of Electec since the

Bourque building project (Dods in chief, vol. 7a, pp. 80 & 81; Hyde in chief, vol. 2, pp. 1, 2 & 4-8; Reid in cross, vol. 4, pp. 46, 48 and 52 and re-exam, p. 58; exhibit 84, p. 2, para. 3). Barber described his activity as monitoring on a day-to-day basis; he had a "hands-on" approach (Barber in cross, vol. 8, pp. 26 & 29). Dods stated that when the fixture interceptor order arrived at the Metcalfe project in June, 1985, it "had Electec on it and at that time I knew there was an Electec" (Dods in chief, vol. 7a, pp. 34, 35 and 39). Although he claimed not to be clear on which came first, Dods stated he was aware of Electec during the construction of the Bourque building when Electec stickers were placed on the heaters assembled for the project. This would be in the fall of 1984 (Dods in chief, vol. 7a, pp. 37 & 38; Hyde in chief, vol. 2, p. 2). Although claiming he could not be clear on dates (Dods in cross, vol. 7b, pp. 71 & 74) Dods clearly recalled the incident that led to Hyde being barred from the Bourque project (Dods in chief, vol. 7a, pp. 41 & 42; in cross, vol. 7b, p. 75; Barber in chief, vol. 8, pp. 13-15; in cross, p. 49), which led to Barber being directly involved. It was a significant enough issue that Reid, the Vice-President, was called.

Electec was used to assemble the heaters for the Bourque project and the components were supplied through Comstock to Electec. Electec retained the work space and Hyde, his wife and 2 other people assembled the approximately three thousand heaters supplied to the Bourque buildings (Dods in cross, vol. 7b, pp. 77, 78 & 80-84). Hyde stated Dods, Barber and Reid were aware that Electec was assembling or supplying the heaters in the Bourque project (Hyde in chief, vol. 2, pp. 3 & 4; Barber in chief, vol. 8, p. 10; Barber in cross, vol. 8, p. 64). Larabie overheard a conversation between Barber and Hyde in which Hyde told Barber that the potential liability exposure regarding the heaters rested with Hyde's company, Electec Limited (Larabie in chief, vol. 3, pp. 110-112, 114 and 155). Barber denies the conversation took place (Barber in cross, vol. 8, p. 67) but does concede that he and the consultants were nervous about Comstock being involved in the heater business (Barber in cross, vol. 8, p. 65). Dods thought Electec's involvement in both projects was consequent upon Comstock's well understood "hands-off" policy relative to manufacturing per se (Comstock oral argument, pp. 183-186). Dods agreed the Bourque project was an unusual operation for Comstock (Dods in cross, vol. 7b, p. 85). Indeed!

There is, as the plaintiffs acknowledge, ample evidence that there was concern expressed in Comstock offices about Comstock straying too far outside its central activity of electrical/mechanical contracting (Barber in cross, vol. 8, p. 56, exhibit 3-10). It is therefore logical that Hyde's invention was made on behalf of Electec (Hyde in cross, vol. 2, pp. 109, 110 & 203-205). Hyde, while an employee of Comstock, worked on this project on behalf of his own company, Electec. The work may have been done on Comstock premises but it was after hours (exhibit 11; Hyde in cross, vol. 2, pp. 156, 210-11 & 217-219; vol. 3, pp. 18 & 31-36). Hyde surely is entitled to claim as his own some of the long hours of overtime he worked on those premises.

The parties are in dispute as to exactly when in the interviewing process between Hyde and Barber the existence of Electec was first mentioned. A former employer of Hyde did inform Barber that Hyde had a business interest in low voltage controls at some

time in the past. When questioned about this Barber states Hyde replied that it was a past endeavour and no longer active (Barber in chief, vol. 7b, pp. 125-127), which Hyde denies. The plaintiffs appear to have taken this, at least for purposes of this litigation as meaning that Electec had dissolved. Barber stated he asked the question about Hyde's business because he was concerned about conflict of interest and he presented such a concern to Hyde (Barber in chief, vol. 7b, p. 130). However there is nothing in the company's policy manual or in the Divisions Operations Manual which sets out what, in Comstock's view, constitutes conflict of interest (Barber in cross, vol. 8, p. 32; Reid in cross, vol. 4, pp. 55 & 56). As between Barber and Hyde, the Court, on basis of content of testimony and demeanour while they were testing, prefers Hyde as the more credible witness.

At the time of Mr. Hyde's hiring, the facts confirm, he was not hired to invent and his invention was not in the scope of his employment or part of his day-to-day duties (Hyde written facts, pp. 13 & 14, exhibits 3-1, 3-4). Barber stated: "I wasn't hiring a man to make gizmos for me or sell gizmos to me" (Barber in chief, vol. 7b, p. 127). Not only does the position description for electrical manager (exhibit 3-4) exclude any reference to design and development, those for subordinates who reported to the manager excluded such possibilities as well (Hyde written facts, pp. 15-17). Comstock is not engaged in engineering work at all (Reid in chief, vol. 4, p. 12). In a memo from Barber dated October 9, 1984 it is specifically set out that Comstock employees are not to do design work (exhibit 3-10). Comstock does not engage in extensive manufacturing because they would be in competition with their suppliers (Reid in chief, vol. 4, p. 15). Comstock does not have a formal written policy in relation to intellectual property (Reid in cross, vol. 4, p. 38) or with regard to employees and their inventions (Reid in cross, vol. 4, p. 41).

The plaintiffs deny that they acquiesced to Hyde's treatment of the invention as his own. In the alternative, if there were some awareness of Electec, it was tolerated only in the role of supplier, not as independent owner of the intellectual property.

The defendants submit that Comstock (i.e. Barber and Dods) began to appreciate (i.e. significance of Hyde's interconnect system in the autumn of 1985, with its success at the Metcalfe project. Barber states patenting was discussed the day after the meeting with Noma on September 7, 1984 and that they would worry about patenting after they obtained clearances; Hyde in cross denies there was a meeting (vol. 2, p. 201). Barber stated he was surprised" Hyde said nothing when the subject of patenting was raised. (Barber in chief, vol. 8, pp. 2 & 3 also in cross, vol. 8, pp. 88 & 89; Comstock written reply, pp. 6 & 24). The final clearance came about the time of the installation of the system at 99 Metcalfe in the summer of 1985. When the interconnect product proved itself there, they became interested in securing the rights for the company. Until then Comstock had no interest in being a supplier. Comstock states at no time was it interested in being the manufacturer that was to be left to Noma (exhibits 65, 83 & 86; Reid in chief, vol. 4, pp. 14 & 15; Reid in cross, vol. 4, p. 44; Dods, vol. 7a, pp. 93, 97 & 100; vol. 8, pp. 23, 24, 81 and 100 and re-exam, vol. 8, pp. 104, 105 & 107; Comstock oral argument, pp. 150 & 151).

Hyde warned that he was prepared to assert his exclusive rights to the lighting fixture interconnect system components by reason of his industrial design registration (exhibit 3-20). Noma was reluctant to supply Comstock from the existing moulds by reason of its concern that Electec would in fact take action. Noma asked Comstock to establish its own claim. Until such time as Comstock's or Electec's rights had been determined Comstock acquiesced in Noma's continuing right to supply Electec from the moulds with the Electec's name on them, and gave Noma the requisite indemnification agreement (exhibit 65-6; Comstock written reply, p. 7). The plaintiffs agree that Noma and Comstock eventually became involved in a co-venture arrangement which never became established, since no product was sold (Comstock written reply, p. 26).

Thus, the facts of these cases, tried together as they were, lead inescapably to the conclusion in law that Electec is entitled, undisturbed, to be the proprietor of the registered industrial design no. 55,917. Hyde is the author. The design shown in the finished articles is uniquely recognizable and it even appeals pleasingly to the eye. Although not a candidate for permanent exhibition in the National Gallery, the design is of nice esthetic quality for the world of electrical fixtures. The plaintiffs Comstock and Lundrigans-Comstock fail utterly to provide much evidence at all, let alone a preponderance of evidence, to persuade the Court to allow their vapid action against Electec and Hyde. On all counts, not excluding the provisions of subsection 7(3) of the Industrial Design Act, R.S.C. 1985, Chap. I-9, and its predecessor, the defendants' industrial design no. 55,917 is valid, and Electec has always enjoyed the exclusive right to it. The design is protected because it does not run afoul of the provisions of section 5.1 of the present Act, or the jurisprudence to that effect. Of course, this design is quite unaffected by any "arbitrary" alterations purportedly effected to it by Dods, Drew or Noma or anyone else for whatever not-likely noble purposes they had in mind.

The evidence discloses virtually beyond a reasonable doubt, but in any event, most surely on a preponderance of probability, that Hyde is the inventor of the invention disclosed in Canadian Patent 1,219,307, despite any of those "arbitrary" alterations introduced by Dods, Drew or anyone else, in order to make it look slightly different from the representations of Hyde's invention. The patent in suit discloses Hyde's invention, although, to be sure, had he applied for such a patent, he could well have employed some different words and expressions, and the sketches would not have been identical with those annexed to the said patent. However, the Court does not doubt, and therefore finds, that Hyde was, and is, the true inventor of that invention.

Section 20 of the Federal Court Act provides that the trial division has exclusive original jurisdiction

- (a) in all cases of conflicting applications for any patent of invention, or for the registration of any copyright, trade mark or industrial design, and
- (b) in all cases in which it is sought to impeach or annul any patent of invention, or to have any entry in any register of copyrights, trade marks or industrial designs made, expunged, varied or

rectified,

and has concurrent jurisdiction in all other cases in which a remedy is sought under the authority of any Act of Parliament of Canada or at law or in equity, respecting any patent of invention, copyright, trade mark or industrial design.

Where the principal dispute between two parties is which of them is the true inventor of the invention disclosed in an issued patent, this Court, in making those findings of fact and law, may grant any appropriate remedy including a declaration of invalidity under the patent legislation, a declaration of inventorship and ownership or any other appropriate remedy known to the common law or equity: *McCracken and Concrete Pipe Ltd. v. Watson*, [1932] Ex. C.R. 83 at 88.

Included within the powers of the Federal Court is jurisdiction pursuant to section 52 [formerly 54] of the Patent Act, R.S.C. 1988, Chap. P-4, which enables the Court to order that any entry in the records of the Patent Office relating to the title to a patent be varied so as to name the proper inventor and owner. The section confers very wide powers on the Court to rectify the Patent Office's records: *Pitney Bowes Inc. v. Yale Security (Canada) Inc.*, February 24, 1987 (T-2100-86 unreported); *Clopay Corporation and Canadian General Tower Limited v. Metalix Limited*, (1980) 20 Fox P.C. 110 (Ex. Ct.).

Only an inventor who otherwise qualifies under section 27 [formerly 28] of the Patent Act (i.e. no prior use or disclosure by others, etc.) is entitled to apply for and obtain a patent. Such "inventor" however must be the true inventor. The invention must have originated in his own mind and must not have been borrowed from anyone else, otherwise the patent is invalid as the named inventor was not entitled to apply: *Gerrard Wire Tying Machines Co. Ltd. v. Cary Mfg. Co.*, [1926] 170 (Ex. Ct.) at 180 and *Canada Patent Law* (4th ed.) Fox at pp. 223-25.

Even a corporation filing an application on the basis of an assignment from the inventor is not "entitled to apply" within the meaning of the Patent Act, sections 2, 49 and 50, if the assignor/inventor derived or borrowed the idea from another.

The date of discovery of an invention is the date at which the inventor can prove he first formulated, either in writing or orally, a description which affords the means of making that which is invented: *Christiani & Nielsen v. Rice*, [1930] S.C.R. 443 at 456 and Patent Act, sections 27 and 61 [formerly 28 and 63].

Comstock relies upon the statutory presumption of patent validity. Every patent granted under the Act shall, after the date on which it is granted and issued, be prima facie valid, as provided in the Patent Act, section 43, section 45 being the term-setting statutory provision applicable to patents granted prior to October 1, 1989.

The onus of showing that a patent is invalid is not easy to discharge and this is equally true whether the patent is attacked on the basis of ownership, inventorship, obviousness or any other ground of attack.

Diversified Products Corp. et al. v. Tye-Sil Corp. Ltd., (1987) 16 C.P.R. (3d) 207 (F.C.T.D.) at page 229;
Adamson v. Kenworthy, (1983) 49 R.P.C. 57 at page 68, lines 18-23.

The misnomer of the inventor(s) does not per se affect the validity of a patent. That is to say, the invention may be perfectly validly patentable, in any event. The erroneous identification of inventors during the process of obtaining a patent does not render the patent invalid in circumstances where, notwithstanding such misnomer, the rights of all inventors are held by the patentee to whom the patent was granted.

Dec International Inc. v. A.L. Lacombe & Associates Ltd.
et al., (1989) 26 C.P.R. (3d) 193 (F.C.T.D.) at page 214;

Procter & Gamble Co. v. Bristol-Myers Canada Ltd. (1978) 39 C.P.R. (2d) 145 (F.C.T.D.) at pages 156-57; aff'd 42 C.P.R. (2d) 33 (F.C.A.).

Electec and Hyde point out there is no decision which invokes the presumption where the issue, as between claimants, is who is the inventor.

Any question of inventorship or date of invention must be tested against the language of the patent claims, which alone define the exclusive right conveyed by the patent grant.

Ernest Scragg & Sons Ltd. v. Leeson Corp., (1964) 45 C.P.R. 1, 19, 33-40.

By merely putting forward an idea, or suggestion, in terms of an objective or an end result one has not thereby invented anything which is necessarily validly patentable.

In relation to employees' inventions the general principle was established in *Bloxam v. Elsee*, (1825) 1 Car. & P. 558 at p. 564, (1827) 6 B & C 169, where it was held by Lord Tenterdon that if a servant, while in the employ of his master, 'makes an invention, that invention belongs to the servant, not to the master; though if the master employs a skilful person for the express purpose of inventing, the inventions made by him will belong to the master so as to enable him to obtain the patent for them.

Lord Tenterdon's decision is all the more remarkable because it was pronounced at a time when slavery was still practised throughout the British Empire, since it was not generally abolished until 1834. Of course, slavery in Canada is unthinkable, and one may wonder why the Court thinks of it in this context. Instructive in this regard is the article on slavery published in vol. 3 of *The Canadian Encyclopedia*, 1988, Hurtig Publishers, Edmonton, pp. 2010-11. The story begins in what is now Canada, with the practice of slavery by a number of Indian tribes, continues with the practices of early Portuguese

explorers, and French and British settlers, including the loyalist refugees from the U.S.A where slavery continued. In 1793, Governor John Graves Simcoe, a staunch opponent of slavery, caused an Act to be unanimously adopted by the legislature of Upper Canada which freed no slaves but which forbade the continuation of enslavement.

The whole purpose of slavery was and is, to secure the benefit of human labour without the payment of wages. Jowitt's and Black's law dictionaries confirm the emphasis on labour. In order to accomplish this, of course, the worker has to be kept in bondage. The essence of slavery is the forced labour; bondage is merely the horrid means of securing the continued availability of that labour. The slave has to be fed and housed, of course, but so does a horse or an ox have to be fed and housed. Finally, as above mentioned, slavery was absolutely abolished in Canada, as it was elsewhere throughout the British Empire, in 1834.

Is what the Comstock parties seek to do not akin to slavery? They seek to appropriate Hyde's work without paying any compensation. True enough, Hyde was not kept detained in bondage. He did not then know of the employer's intent to appropriate his work. Had he known, he most probably would have left his employer, as he was free to do. It is no less an unremunerated appropriation of Hyde's work just for the fact that it was attempted after his departure. What Comstock would accomplish if it were to deprive Hyde of his work and his property in his invention without agreed upon remuneration, would be the essence of slavery. Only the ancillary bondage would be missing, including the minions or instruments of intimidation for bondage and detention. Slavery, in effect, without overhead. That cannot be permitted.

Electec and Hyde submit that the mere existence of an employer-employee relationship does not per se disqualified an employee from patenting for his own benefit an invention made by him during the course of his employment, even although the invention's subject-matter may be useful for his employers in their business. This is so, even although the employee may have made use of his employer's time and co-employees and material bringing his invention to completion and he may have allowed the employer to use the invention while in their employment: *Piper v. Piper* (1904) 3 O.W.R. 451 at 455 (Ont. C.A.); *Willards Chocolates Ltd. v. Bardsley*, (1928) 35 O.W.N. 92 at 93 (Ont. H.C.); *Spiroll v. Putti*, (1975) 22 C.P.R. (2d) 261 (B.C.S.C.) aff'd (1976) 77 D.L.R. (3d) 761 (B.C.C.A.). The Court in *Willards Chocolates Ltd.* gave judgment in the employer's favour. In *Fox 4th ed.*, Carswell, Toronto, at pp. 302-03, it is stated that the Court there applied U.S.A. doctrine not acceptable in Canada. In footnote 161 on p. 303 is the assertion that the decision was obviously arrived at, on this point at least, per incuriam.

The only exceptions to the presumptions which favour the inventive employee, are:

- (1) an express contract to the contrary; or
- (2) where the person was employed for the express purpose of inventing or innovating: *Re Equator Mfg. Co., Ltd., Ex Parte Pendlebury*, [1926] 1 D.L.R. 1101 at 1105 (Ont. S.C.); *Devoe-Holbein Inc. v. Yam*, 2 C.I.P.R. 229 at 246 (Qué. S.C.); *Scapa*

Dryers (Canada) Ltd. v. Fardeau, (1971) 1 C.P.R. (2d) 200 at 204; W.J. Gage Ltd. v. Sugden, (1967) 51 C.P.R. 259 (Ont. H.C.); Spiroll Corp. v. Putti supra. Although a more senior employee may have a duty of good faith toward his employer, this notion alone does not impede the employee from claiming that the invention is his own. The Court should consider the nature and context of the employer-employee relationship, such as:

- (a) whether the employee was hired for the express purpose of inventing;
- (b) whether the employee at the time he has hired had previously made inventions;
- (c) whether an employer had incentive plans encouraging product development;
- (d) whether the conduct of the employee once the invention had been created suggested ownership was held by employer;
- (e) whether the invention is the product of the problem the employee was instructed to solve, i.e. whether it was duty to make inventions;
- (f) whether the employee's invention arose following his consultation through normal company channels (i.e. was help sought?);
- (g) whether the employee was dealing with highly confidential information or confidential work;
- (h) whether it was a term of the servant's employment that he could not use the ideas which he developed to his own advantage.

Counsel for the defendants, in his memorandum of fact and law, sets out the law in England, where, in the absence of a special contract, the invention of a servant, even though made in the employer's time and with the use of the employer's materials and at the expense of the employer, does not become the property of the employer.

However, when an employee hired because of his inventive skills creates something in the ordinary course of his duties so to create, the rights to an invention belong to the employer unless there is an agreement to the contrary. An abundant jurisprudence was cited to the Court in this regard, among which are: Worthington Pumping Engine Co. v. Moore, (1903), 20 R.P.C. 41 (Ch.D.); Edisonia Ltd. v. Forse, (1908) 25 R.P.C. 546 (Ch.D.); Mellor v. William Beardmore & Co., (1927) 44 R.P.C. 175 (Scotland C/A); Adamson v. Kenworthy, (1932) 49 R.P.C. 57 (Ch.D.); Vokes Ltd. v. Heather, (1945) 62 R.P.C. 135 (C/A) (Leave to appeal to House of Lords denied); In the Matter of Charles Selz Limited's Application to the Controller Under s. 56 of The Patent Act, (1953) 71 R.P.C. 158; Patchett v. Sterling Engineering Co. Ltd., (1955) 72 R.P.C. 50.

Caution must be exercised in applying this principle as was expressed in *Spiroll v. Putti*; a masterful review of jurisprudence performed by Mr. Justice McKenzie. He noted (B.C.S.C. at p. 273) that English jurisprudence has moved toward the U.S. view which tends to favour the employer as against the employee, thus:

So there are two strains of cases - the older giving the rights to the employee unless the contrary is shown and the House of Lords gives the benefit to the employer unless the contrary is shown.

McKenzie J. then, upon analyzing the texts, noted (at p. 274):

I read all of the cases discussed so far to have that message in common. In none of them do I find the notion that the mere fact of employment *ipso facto* obligates the employee to deliver up his invention to his employer.

The trial judgment of McKenzie J. was unanimously upheld by the British Columbia Court of Appeal (cited *supra*). Mr. Justice Robertson for that Court is reported (at p. 766, 77 D.L.R.) as follows:

[It was no part of Putti's duty to make inventions * * *. Putti was not employed as a designer or inventor.

Such being the case, the role applicable is the one stated in the same case [*Sterling Engineering Co. Ltd. v. Patchett*, [1955] A.C. 534, 72 R.P.C. 50 (H/L)] by Lord Reid at p. 547, viz., "in the ordinary case the benefit of a invention belongs to the inventor". To the same effect is the language of Eve, J. in *British Reinforced Concrete Engineering Co. Ltd. v. Lind*, (1917) 34 R.P.C. 101, that is quoted at the foot of p. 160 in *W.J. Gage Ltd. v. Sugden*, *supra*.

With respect to the second proposition, I have in my passage numbered 3 already said all that I usefully can. In summary it is that, as under the employment contract Superior has no right to the invention and Putti must stand as its sole owner, no equitable right of ownership in Superior can be distilled from the relationship created by the contract. Further, even if that were not so, the facts do not support any finding that Putti's conduct was inconsistent with the good faith that he owed to Superior, or otherwise such as to make him a trustee of the invention for Superior or its assignee.

I think that McKenzie J., was right and I would dismiss the appeal.

In the case at bar Hyde was open about his after-hours business carried on in Electec's name. It is extreme "double-think" and nonsense to label Electec's insistent payment of the tooling invoice and dealings with Noma as fraud or any less species of duplicity on Hyde's part. On the contrary it was plain openness. Further, Barber snorted that he did not hire Hyde to be going about inventing.

The mere fact that an inventor held a senior position in a company at the time he invented does not deprive the inventor of his rights to the invention if that is not what he was hired to do: *Anemostat (Scotland) Ltd. v. Michaelis*, [1957] R.P.C. 167.

Where an individual, hired as a general manager of a design and manufacturing company, as a result of information gathered on a business trip sponsored by the employer, conceives and invents a design that might be used in association with the business of his employer, ownership of the invention is held by the employee. In determining the nature and scope of employment, where there is no written contract of employment, regard may be had to the wording of the newspaper advertisement seeking applicants for that position: *In the matter of Charles Selz Limited's Application*, (1953) 71 R.P.C. 158 at 162-166 (per Lloyd-Jacob J. on appeal).

Comstock submits that it is an implied term in a contract of employment that any employee is a trustee for his employer of any invention made in the course of his duty as an employee, unless such an implied term is displaced by contrary agreement having legal effect. The meaning of implied term in this context is a term which is inherent in the nature of the contract which the law will imply unless the parties agree otherwise. Not so in Canada. The *Spiroll* case states the law. There is no such presumption permitting an employer to claw out of an employee's hand, without compensation, the fruits of his labour just by virtue of his employment. If the U.S. and English jurisprudence show such tendencies, so be it. In Canada, the law first looks, of course, to discover if the parties have concluded an objectively provable or reasonably inferred agreement about inventions. If there be no objectively proved agreement, as here, then the circumstances of the employment could indicate the correct result, by inference. Since Governor *Simcoe*, and later, however, the presumption in Canada operates in the direction of freedom, not slavery. In the absence of reliable indicia the inventor keeps the benefit of the invention.

Comstock's counsel further posits that the level of an employee's duty of good faith to the employer is dependent upon the position of the employee within the employer's organization and the degree of responsibility and trust placed unto the employee. A manager's position is radically different from that of a mechanic (tradesman); a manager has a fundamental or fiduciary duty to extend all of his effort, skill, knowledge and inventive powers, in whatever way possible, to promote the efficiency and success of his employer and does not need to be specially directed or encouraged to do so.

Worthington Pumping Engine Company v. Moore, (1903) 20 R.P.C. 41 at page 49;
Edisonia Ltd. v. Forse, (1908) 25 R.P.C. 546 at pages 550, 551 (last paragraph) and 552 (last paragraph);
Canadian Aero Service Limited v. O'Malley & al., [1974] S.C.R. 592, (1973) 40 D.L.R. (3d) 371 (S.C.C.) at pages 381-82, 384 and 384-91.
MacMillan Bloedel Ltd. et al. v. Binstead et al., (1983) 22 B.L.R. 255 (B.C.S.C.) at page 285.

Further, says Cornstock, it is contrary to the utmost duty of good faith required of management employees for such an employee to usurp, for the employee's own private profit, a corporate opportunity which has been pursued and developed by the employer. This is particularly acute where the employee promoted or encouraged the employer to pursue and develop such opportunity. Equity demands, in modern commerce, that corporations, its promoters, directors and managers exercise obedience to norms of exemplary behaviour.

Each case turns on its own facts and the appropriate choice of law and principle depends on the finding of essential facts. For example, the facts in Worthington appear to be different from those of the case at bar, as may be illustrated by a reported passage of the judge, Mr. Justice Byrne (at p. 49), thus:

Having regard to the nature and scope of the Defendant's employment, to the obligations and duties arising from such employment, to the trust reposed in him, to his own conduct in endeavouring to establish a trade for his employers in the very articles he, in the action brought by him against them, sought to preclude them from using, I think I should be wrong in holding that he is entitled to continue to hold his Patents as against the Plaintiff Corporation, even with the belated undertakings which his Counsel offered to give on his behalf. The main issue is this - can the Defendant or can he not, without breach of his obligation towards his late employers, insist upon retaining and enforcing against them the Patents he has taken out? I think he cannot, either in whole or in part; and I think, moreover, that it would be wrong to allow a Defendant who has taken out Patents and insisted on maintaining them up to the actual trial to then turn round and say, "Well, at all events, I can "pick out something which I could have patented, and I now insist upon that." I am quite unable to accept the suggestion that the Defendant did not know what was claimed by his Patents, having regard to what took place. He may not have fully realised the result of his claim, but I am satisfied that he knew what his claim was.

Did not know what was claimed? Shades of Dods who could not perceive the error until it was pointed out by counsel! In any event, the defendant in Worthington cannot be assimilated to Hyde's or Electec's position here.

Each case turns on its own facts. A line from the headnote of the *Edisonia Ltd. v. Forse* case report will suffice:

* * * that the inventions were made by them in the course of their employment, the making and perfection of the inventions being part of the work on which the defendant was employed, and that all fees and expenses of the Patents were paid by the Plaintiffs.

(emphasis not in original text)

Although it is true that Comstock paid the fees expenses of taking out patent 1,219,307 (exhibit 1), it did so on the false premise that Dods was the inventor, which is not so. It was rather Comstock which, in the circumstances, breached a fiduciary duty owed to Hyde in regard to his invention, for the making and perfection of the subject invention was never part of the work on which he was employed. Furthermore as the evidence amply shows, Comstock was not in that business.

Each case turns on its own facts. The case of Canadian Aero Service Limited v. O'Malley et al. presented the Supreme Court of Canada with concurrent findings of the Ontario High Court and the Ontario Court of Appeal. No doubt, that decision of the ultimate Court of Canada would today have been decided differently in light of its own decisions in: *Stein v. The Ship "Kathy K"*, [1976] 2 S.C.R. 802 at p. 806; *Century Insurance v. N.V. Bocimar*, [1987] 1 S.C.R. 1247; and *Laurentide Motels Ltd. v. Beauport (Ville)*, [1989] 1 S.C.R. 705 at p. 794, among others. These last cited judgments strongly indicate that today the Supreme Court would be most hesitant about going counter to concurrent findings. However, the Court's unanimous judgments, written by Mr. Justice Laskin, in the Canadian Aero Service case, found that the president and chief executive officer of the plaintiff (Canaero), O'Malley, and a former executive vice-president, appointed a director of Canaero, Zarzycki had breached their fiduciary duty to their employer. The judgment as reported at pp. 374-75 of D.L.R. contains this passage:

The legal issues in this appeal concern what I shall call the Guyana project, the topographical mapping and aerial photographing of parts of Guyana (known as British Guiana until its independence on May 25, 1965) to be financed through an external aid grant or loan from the Government of Canada under its programme of aid to developing countries. Terra Surveys Limited, in association with Survair Limited and another company, succeeded in obtaining the contract for the Guyana project which Canaero had been pursuing through O'Malley and Zarzycki, among others, for a number of years. There is a coincidence of dates and events surrounding the maturing and realization of that project, and the departure of O'Malley and Zarzycki from Canaero, their involvement with Wells in the incorporation of Terra Surveys Limited and its success, almost immediately thereafter, in obtaining the contract for the project.

The factual background of the Canadian Aero Service case reveals sneaky duplicity on the defendants' part as reported at p. 378 of D.L.R.:

Thereafter the record of events, subject to one exception, concerns the involvement of O'Malley and Zarzycki with Wells in the incorporation of Terra Surveys Limited, their resignations from their positions with Canaero and their successful intervention through Terra Surveys Limited into the Guyana project. As of the date of

O'Malleys letter of resignation, August 19, 1966, Terra Surveys Limited had a post office box and a favourable bank reference. Zarzycki had then not yet formally resigned as had O'Malley but had made the decision to do so. O'Malley informed the Canadian External Aid Office on August 22, 1966, of the new company which he, Zarzycki and Wells had formed.

The exception in the record of events just recited concerns a visit of Zarzycki, his "regular trip to the External Aid Office" (to use his own words), to the man in charge of the Caribbean area. This was on or about August 13, 1966, after his return from holidays and after the luncheon meeting with O'Malley and Wells that led to the incorporation of Terra. The purpose of the visit related to two project possibilities in the Caribbean area for Canaero, that in Guyana and one in Ecuador. Zarzycki then received confirmation of what he had earlier learned from Towe, namely, that the Guyana project had been approved in principle.

Further in Canadian Aero Service, at p. 382, it is stated that "the fiduciary relationship goes at least this far:

a director or a senior officer like O'Malley or Zarzycki is precluded from obtaining for himself, either secretly or without the approval of the company (which would have to be properly manifested upon full disclosure of the facts), any property or business advantage either belonging to the company or for which it has been negotiating; and especially is this so where the director or officer is a participant in the negotiations on behalf of the company.

* * * In my opinion, this ethic disqualifies a director or senior officer from usurping for himself or diverting to another person or company with whom or with which he is associated a maturing business opportunity which his company is actively pursuing; he is also precluded from so acting even after his resignation where the resignation may fairly be said to have been prompted or influenced by a wish to acquire for himself the opportunity sought by the company, or where it was his position with the company rather than a fresh initiative that led him to the opportunity which he later acquired.

(emphasis not in original text)

Finally, the Court expressed a note of caution reported on p. 391 in the Canadian Aero Service case - that which is sometimes forgotten by counsel:

In holding that on the facts found by the trial Judge, there was a breach of fiduciary duty by O'Malley and Zarzycki which survived their resignations I am not to be taken as laying down any rule of

liability to be read as if it were a statute. The general standards of loyalty, good faith and avoidance of a conflict of duty and self-interest to which the conduct of a director or senior officer must conform, must be tested in each case by many factors which it would be reckless to attempt to enumerate exhaustively. Among them are the factor of position or office held, the nature of the corporate opportunity, its ripeness, its specificity and the director's or managerial officer's relation to it, the amount of knowledge possessed, the circumstances in which it was obtained and whether it was special or, indeed, even private, the factor of time in the continuation of fiduciary duty where the alleged breach occurs after termination of the relationship with the company, and the circumstances under which the relationship was terminated, that is whether by retirement or resignation or discharge.

There are many substantial dissimilarities between this case at bar and the Canadian Aero Service case. Hyde was perhaps a "senior officer" of Comstock, having been Manager, electrical department, Eastern Ontario Division at Comstock's office in Nepean, Ontario. Barber certainly never hired Hyde to design anything, and of course Comstock's business was that of an electrical contractor and, as the evidence discloses, most assuredly not a manufacturer or distributor of electrical fixtures, for its management wished to avoid any responsibility or liability in that regard. So Hyde on the one hand, and O'Malley and Zarzycki on the other were and are quite differently situated. Hyde had incorporated Electec long before he was employed by Comstock, and clearly not as a late-created vehicle in which to grab Comstock's business. If Hyde is alleged to have behaved surreptitiously in hiding Electec's existence from Barber, then Hyde went about it with less stealth than the proverbial bull in a china shop. Barber knew all along; he now regrets his lack of interest or his wilful blindness. On this, as on so many other matters herein, when Hyde and Barber diverge in testimony the Court for all of the classical reasons accepts Hyde's testimony over Barber's. In cross-examination Hyde evinced some prickliness of temperament, but that did, and does, nothing to diminish his credibility whatsoever. Indeed that minor and infrequent demeanour enhanced the inherent plausibility of Hyde's testimony. In any event, the Canadian Aero Service judgment, which is not to be read like a statute, does not tell or toll against Hyde or Electec. No fiduciary duty was breached.

Each case turns on its own facts. So it is with Mr. Justice Dohm's judgment in MacMillan Bloedel Limited, et al. v. Binstead et al., supra. An extract from the apparently accurate headnote will serve:

* * * While in this position as manager of log trading of MB, B held a secret one-third interest in A-M Sales Ltd., a company which purchased excess logs as principal from MB. A and M were the sole shareholders of record of A-M Sales Ltd. In addition, A and M were the sole shareholders of another log trading firm, AM Brokerage Ltd., a company which purchased excess logs from MB as agent for

third parties.

While holding an interest in A-M Sales Ltd., B dealt with it on behalf of MB in his capacity as manager of log trading. B's personal interest therefore conflicted with the duty owed to MB.

A and M met with their accountant, JM, at the time B was invited to participate, to familiarise JM with the circumstances of B's participation. JM was told that B was to be a one-third shareholder but would not immediately be employed by A-M Sales Ltd., that B was still an employee of MB and that the company's solicitor was not to be advised of B's interest in A-M Sales Ltd. MB brought an action for an accounting of B's secret profits.

Held - The action was allowed in an aggregate amount of \$9,113,000.

B had made a secret profit for which he must account. In order to be entitled to an accounting, it did not matter that MB had lost no profit and suffered no damage, nor that its policy precluded it from dealing directly with customers of A-M Sales Ltd. A and M and their companies knowingly participated in B's breach of fiduciary duty and received profits derived therefrom. In law they were therefore constructive trustees and liable to account to MB, together with B.

Although B was neither a director nor a senior officer of MB, the terms of his employment and the unique position he held as manager of log trading, including the control he exercised in the acquisition and disposition of MB's property, precluded any finding but that B was a fiduciary liable to account.

There was nothing secret about Hyde's conduct: he deceived no one. Electec was Hyde's corporation and his interest in it was no secret. Moreover, quite distinct from hiding his involvement, Hyde was insisting that Comstock and Noma recognize Electec and that Noma emboss Electec's name on the products invented and designed by Hyde. Binstead's flagrant, although purportedly secret and exposed, misbehaviour in the McMillan Bloedel case above cited does not tell against Hyde. Rather, it shows by contrast how open and above-board Hyde truly was, in all his dealings with, and apart from, Comstock, Barber, Dods, Noma and Drew. In light of the credible evidence here, policies and professional engineering handbooks and treatises count for nothing against Hyde's professional or corporate conduct. To be sure they do count for something, but not against Hyde in these circumstances. These circumstances, given Comstock's diffidence about doing anything other than contracting, are rather akin to those in *Peso Silver Mines v. Cropper*, [1966] S.C.R. 673, 58 D.L.R. (2d) 1.

Upon review of all of the parties' material, the written arguments and the transcripts, as well as the exhibits, the Court is, after verifying references to testimony, exhibits and jurisprudence, persuaded to accept, ratify and adopt the oral and written arguments stated by Hyde's counsel. Counsel performed so well, even although denied the benefit of current transcripts during the trial, because he could neither buy nor borrow them.

The action brought by Comstock against Electec and Hyde for a declaration of invalidity of industrial design 55,917, and for its expungement from the register (T-1313-86) will be - is - dismissed. One matter upon which the contending parties in their respective pleadings seem agreed - the "sword" by which they profess to live or at least to litigate - is that the victor should be awarded costs on a solicitor-and-client basis. In the circumstances, and given the empty allegations of fraud and breach of duty levied against Hyde, he and Electec deserve full compensation in these cases for their costs.

Electec's and Hyde's action T-2216-87 against Comstock, Lundrigans-Comstock and 169718 Canada Ltd. will be - is - allowed. It is declared that Gordon Douglas Hyde is the sole inventor of the invention entitled "Modular Interconnecting Wiring System With Moulded Mating Components" and that Electec Limited is the exclusive owner thereof. They further claimed either an order directing that patent 1,219,307 be varied as a consequence of the above stated declaration, or alternatively, that the said patent be declared invalid and void, "as the Plaintiffs [Electec and Hyde] may later elect". Now is the time to elect.

Hyde's and Electec's solicitors shall, not later than one month after the issuance of these reasons, verify their said election to the Court and to their adversaries, by filing a witnessed document, binding upon Hyde and Electec, in the Ottawa registry in suit T-2216-87, the patent suit.

Hyde and Electec are entitled, after taxation thereof, to their solicitor-and-client costs of and incidental to these proceedings, but in the matter of counsel fees at trial, such shall not be taxed in both suits, T-1313-86 and T-2216-87, but only once because both cases were tried together. In any other instances where it appears that fees could be shared the winning solicitors may split them 50-50 or consolidate them all in one case or the other. There may be instances, however, when services were rendered distinctly to one or the other of Hyde or Electec, and there would be no excessive duplication of fees in such instance. The taxing officer will arbitrate in the event of disagreement.

The solicitors for Hyde and Electec are to consult with their adversaries and to draw a draft judgment in each case, to implement the Court's conclusions in each case, pursuant to Rule 337(2)(b).

MULDOON J.

DRS/DRS

Case Name:

Techform Products Ltd. v. Wolda

Between

Techform Products Limited, plaintiff, and
Tiete O. Wolda, defendant

And between

Tiete O. Wolda, plaintiff by counterclaim, and
Techform Products Limited and M & C Corporation, defendants by
counterclaim

[2000] O.J. No. 5676

Court File No. 97-CV-137439CM

Ontario Superior Court of Justice
Sachs J.

Heard: November 29-30 and December 1-3, 6-8, 1999.

Judgment: January 31, 2000.

(79 paras.)

*Master and servant — Nature of relationship — Contract for services — Patents
of invention — Ownership of invention, where inventor an employee.*

Action by Techform against Wolda, the inventor of a hinge. Wolda had originally worked as an employee for Techform. In 1989, he ceased employment and started working for Techform as an independent contractor. He signed an employee technology agreement in 1993 stating that Techform would own all the rights to anything he invented while he worked for them. He signed this agreement because otherwise Techform would terminate his contract. In 1996, Wolda invented the 3D Hinge. He told Techform that he would assign the patent to it if Techform increased his hourly rate of pay and paid two cents per hinge sold to the charity of his choice. Techform took the position that Wolda had no rights in the hinge. Wolda no longer worked for Techform. Techform sought a declaration that it owned the 3D Hinge, as well as another mechanism invented by Wolda, the Tailgate Hinge Mechanism, and sought to have Wolda enjoined from using confidential information obtained while at Techform. Wolda had not invented the Tailgate Hinge Mechanism, but had been assigned the task of improving it by Techform. No one had asked him to design the 3D Hinge. Wolda filed a counterclaim for unlawful appropriation of his rights to his inventions. There were pending patent applications.

HELD: Action allowed in part. Wolda's counterclaim was dismissed. Techform was the owner of the Tailgate Hinge Mechanism. However, it was not the owner of the 3D Hinge. Wolda ceased being an employee and worked as an independent contractor at

the relevant time. When this happened, both parties intended that Techform would own inventions made by Wolda as the result of a specific assignment but not inventions made on his own initiative. The employee technology agreement was not binding as it was not supported by consideration. Techform could not assert that Wolda was estopped from denying his obligations under the agreement as that was an improper use of the estoppel principle. Techform did not establish that Wolda would misuse confidential information and was thus not entitled to an injunction for breach of confidence. Wolda's counterclaim was not a cause of action known in law.

Statutes, Regulations and Rules Cited:

Patent Act, R.S.C. 1985, c. P.4.

[Quicklaw note: Supplementary reasons for judgment were released May 31, 2000. See [2000] O.J. No. 5677.]

Counsel:

John R. Morrissey and Mark G. Biernacki, for the plaintiff/defendant by counterclaim.

Peter F. Kappel, for the defendant/plaintiff by counterclaim.

SACHS J.:—

1. INTRODUCTION AND OVERVIEW

¶ 1 This case is about a hinge -- a hinge with the apparent potential to change the future of many people. At issue is the question of when someone who makes an invention while working for someone else loses the rights to that invention.

¶ 2 In 1981 Tiete Wolda went to work for Techform as a mechanical engineer. Techform is a Canadian company that manufactures automotive parts and is one of Penetanguishene, Ontario's largest employers. M & C is a company based in Michigan that acts as the sales representative for Techform within the automotive industry. An American family, the Connellys, owns both companies.

¶ 3 In 1989 Mr. Wolda's relationship with Techform changed. He ceased to be a full-time employee and signed a contract that provided that he was to be paid by the hour for the hours that he worked. These hours were flexible as long as he devoted the equivalent of two days per week to Techform's business. He ceased to be eligible for any of Techform's benefits, including its Deferred Profit Sharing Plan, and Techform made no deductions at source from his pay for income tax or other government purposes.

¶ 4 By 1989 Techform was conscious that the door-locking rods which represented the majority of its business would one day reach the end of their life cycle. It had started

to concentrate on the development of new products, in particular, "deck lid" (trunk) hinges. Deck lid hinges came to represent Techform's greatest potential for growth. By 1989 Mr. Wolda had participated in the invention of one type of deck lid hinge.

¶ 5 In 1993 Techform became concerned that Mr. Wolda might assert some rights to products he invented while working for them. Therefore they had him sign an "Employee Technology Agreement" (the "ETA"), whereby he agreed, among other things, that Techform would own all the rights to anything he invented while he worked for them. Mr. Wolda maintained that the Agreement was signed by him for no consideration and under duress.

¶ 6 In 1996 Mr. Wolda invented the "3 D Hinge" -- a hinge that finally seemed to meet all the necessary criteria for the perfect deck lid hinge. This was a hinge that appeared capable of being manufactured and installed at a reasonable cost, and that would minimally intrude into the trunk space of a car. The image that emerged during the course of the trial was of a trunk full of egg cartons with no broken eggs when the trunk lid was closed.

¶ 7 Over the ensuing months Mr. Wolda raised with Techform the question of what compensation he could expect in return for assigning to M & C or Techform the patent to the 3 D Hinge. Mr. Wolda wanted two things: an increase in his hourly rate, and more importantly, a commitment from Techform that for every hinge sold, two cents per hinge (apparently a very small percentage of Techform's potential profit per hinge) would be paid to the charity of his choice. Mr. Wolda's life had been profoundly affected by a trip he had taken to Bolivia, a trip that exposed him to a population living in abject poverty. His dream was to use the 3 D Hinge to try and help those people to help themselves. Techform was outraged by Mr. Wolda's demands, which they regarded as a betrayal of their relationship. In September of 1997 Mr. Wolda left Techform and this lawsuit was started.

¶ 8 The most important issue I must determine is who owns the 3 D Hinge -- Techform or Mr. Wolda. Answering this question requires me to assess whether the 3 D Hinge was within the expected scope of Mr. Wolda's duties at Techform, whether he was an employee or an independent contractor, whether it was an implied or an express term of his contract with Techform that they were to own his inventions, and whether the Employee Technology Agreement was binding. Of less importance to the parties but also in issue is the ownership of another product invented by Mr. Wolda while at Techform, the "Tailgate Hinge Mechanism". Finally, Techform seeks to have Mr. Wolda enjoined from using or disclosing allegedly confidential information that Mr. Wolda acquired while at Techform.

2. THE LEGAL FRAMEWORK

2.a. Ownership of Inventions and Patents under the Patent Act

¶ 9 Immediately upon completing an invention an inventor acquires a right to apply for a patent pursuant to the provisions of the Patent Act, R.S.C. 1985, c. P.4. By providing a statutory scheme for the granting of patents the legislature allows inventors to expose their inventions to the world without at the same time losing their rights to control the use of those inventions. Once an inventor is granted a patent, he or she has the right to exclude the public from using his or her invention (Harold G. Fox, *The Canadian Law & Practice Relating to Letters Patent for Inventions*, 4th ed. (Toronto: Carswell, 1969) at 280).

¶ 10 Under the Patent Act, a patent must be granted to the inventor or the inventor's legal representative unless the inventor has assigned or has bequeathed the right to obtain the patent to someone else (sections 27 and 49). Inventors who have been granted patents may assign them to other people as long as they do so in writing (section 50). Thus, under the provisions of the Patent Act, absent an assignment in writing, it is only inventors or their legal representatives who have the right to apply for patents to their inventions.

2.b. Ownership of Inventions: Employees

¶ 11 While the federal patent legislation provides that inventors are the first owners of their inventions, it says nothing about what happens when the inventor is an employee. This is a matter that is left to the common law. The provincial courts have concurrent jurisdiction with the federal court to determine cases where a remedy is sought at common law or in equity regarding the ownership of any patent of invention.

¶ 12 The common law rule in Canada is that the mere existence of an employment relationship does not disqualify employees from patenting inventions made during the course of their employment. This rule holds true even where the invention relates to an aspect of the employer's business, the employee used the employer's time and materials to bring his or her invention to completion, and the employee has allowed the employer to use the invention while he or she was employed (*Piper v. Piper* (1904), 3 O.W.R. 451 at 455 (Ont. C.A.), *Moss C.J.O.* (for a five member panel of the court); *Worthington Pumping Engine Co. v. Moore*, 19 Times L.R. 84 at 87).

¶ 13 There are two exceptions to the presumption that employees own their inventions:

- (a) An express contract to the contrary; or
- (b) Where the person was expressly employed for the purpose of inventing or innovating (*Comstock Canada et al. v. Electec Ltd. et al.* (1991), 38 C.P.R. (3d) 29 at 53 (F.C.T.D.); *Re Equator Mfg. Co. Ex. p. Pendlebury*, [1926] 1 D.L.R. 1101 at 1105, 7 C.B.R. 472, 29 O.W.N. 473 (S.C. in Bkcy)).

¶ 14 In deciding who owns an employee's invention the court must take into account the "nature and context of the employer-employee relationship" and consider such factors as:

- (a) Whether the employee was hired for the express purpose of inventing;
- (b) Whether the employee at the time of hiring had previously made inventions;
- (c) Whether the employer had incentive plans encouraging product development;
- (d) Whether the conduct of the employee once the invention was created suggested ownership was held by the employer;
- (e) Whether the invention was the product of the problem the employee was instructed to solve;
- (f) Whether the employee's invention arose following his or her consultation through normal company channels (i.e., was help sought?);
- (g) Whether the employee was dealing with highly confidential information or confidential work; and
- (h) Whether it was a term of the employee's employment that he or she could not use the ideas that he or she developed to his or her own advantage (Comstock Canada et al. v. Electec Ltd. et al. (1991), 38 C.P.R. (3d) 29 at 53-54 (F.C.T.D.), Muldoon J.)

2.c. Ownership of Inventions -- Independent Contractors

¶ 15 Two texts from two leading experts on intellectual property law were put before me dealing with the question of what principles apply when the inventor is an independent contractor or consultant rather than an employee. Surprisingly, the texts appear to take opposite positions.

¶ 16 The excerpt relied upon by Techform is from David Vaver's book, *Intellectual Property Law: Copyright, Patents, Trademarks*, (Concord, Ont.: Irwin Law, 1997). At page 148 Professor Vaver states:

Freelancers are treated less favourably in patent law than in copyright law the Patent Act starts with no presumption favouring the commissioned freelance inventor. It leaves his rights to be worked out entirely by provincial law. The firm that calls in a consultant to help with a problem will usually own the benefit of any invention he develops as a solution. This is especially likely where the consultant is given access to the firm's trade secrets or confidential information, or is employed to put into practice an idea that the firm partly developed. The firm will then be entitled to patent the invention. This prima facie position may, however, be modified by express or implied agreement.

¶ 17 The implication of this quote, as applied to the facts of this case, would appear to be that it makes no real difference whether Mr. Wolda was an employee or an independent contractor. If he was hired to invent then his inventions are prima facie owned by Techform.

¶ 18 In contrast, Leslie W. Melville (who was relied upon by the Supreme Court of Canada, although not on this point, in *Eli Lilly & Co. v. Novotharm Ltd.* [1998] 2 S.C.R. 129) states the following at s. 3.05(1) of *Forms and Agreements on Intellectual Property and International Licensing*, 3rd ed., revised 1998 (New York: West Group, 1979):

The principles discussed in relation to employees would not appear to be wholly applicable in the case of other contractual relationships. There is no implication that an invention made by a consultant is the property of the client notwithstanding that he is clearly employed to invent. This situation no doubt has its origin in the difference in attitude of the courts toward the bargaining power of a person seeking wholtime employment and a person entering into a business contract relating to a specific project. In the latter case the parties are free to provide for the ownership of any inventions or other property rights arising from the enterprise.

The consultant or other contracting party who makes an invention in relation to his work under the contract will be the true and first inventor according to the ordinary rules, so that if the client applies for a patent based on a method or design obtained from the consultant any patent granted thereon would be void. This matter can be provided for in the contract under which the consultant or specialist is engaged [footnotes omitted].

In other words, according to Melville, if Mr. Wolda was an independent contractor his inventions were his own unless his contract provided otherwise.

¶ 19 No authority is cited for the position taken by either author. However, counsel for Techform did put forward a case that he maintained supported the proposition that if a consultant is retained to invent then his or her invention belongs to the client unless otherwise agreed. The case was *Re Bogrich and Shape Machines Ltd.'s Application*, an unreported English decision of the Chancery Division (Patents Court) released on November 4th, 1994, that was referred to by Lord Cullen in *Goddin and Rennie's Application*, [1996] R.P.C. 141 at 178. The governing principle that emerges from *Re Bogrich* is the one articulated at page 7 of the transcript of that decision: an independent consultant who makes an invention owns the invention unless there is an agreement, express or implied, to the contrary. Further, whether a term transferring ownership of an invention to the client is to be implied "depends upon whether such a term is necessary having regard to the circumstances of the case" (*Re Bogrich*, supra, at page 9).

¶ 20 This principle strikes the appropriate balance between two concerns. The first is recognizing and protecting what has been referred to by the United States Supreme Court as "the peculiar nature of the act of invention, which consists neither in finding the laws

of nature, nor in fruitful research as to the operation of natural laws, but in discovering how these laws may be utilized or applied for some beneficial purpose, by process, a device or a machine" (United States v. Dubilier Condenser Corp. (1933), 289 U.S. 178 at 188, Roberts J. The second is acknowledging that there are circumstances in which an inventor agrees, either expressly or by necessary implication to give up ownership of his or her invention. Thus, if I find that Mr. Wolda was an independent consultant as opposed to an employee, Techform, in order to establish its ownership of Mr. Wolda's inventions, must demonstrate either:

- (a) That there was a valid and binding express agreement the terms of which provided that Techform would own Mr. Wolda's inventions (the agreement relied upon is the Employee Technology Agreement); or
- (b) That looking at all the circumstances surrounding the relationship between Mr. Wolda and Techform it is necessary to imply that a term of that relationship was that Techform would own Mr. Wolda's inventions.

3. WAS MR. WOLDA AN EMPLOYEE OR AN INDEPENDENT CONSULTANT?

¶ 21 From November of 1981 to August of 1989 Mr. Wolda was a full-time employee of Techform, starting at an annual salary of \$32,000.00 that eventually increased to \$47,000.00. In the summer of 1989 Mr. Wolda decided to marry a woman whose home and place of work were in Scarborough; Techform is located in Penetanguishine. Mr. Wolda therefore tendered his resignation in writing to Techform, effective September 1st, 1989. His resignation was accepted and Mr. VandenHeuvel, his superior at Techform, suggested that he apply for work at an automotive parts supplier located in Scarborough.

¶ 22 At some point during that summer Techform approached Mr. Wolda about the possibility of retaining him to work for them for a few days per week. On August 4th, 1989, Bill Chope, the assistant and "right-hand man" to Ed Connelly, the President of Techform, wrote Mr. VandenHeuvel a letter stating that it was "very important that we prepare a consultant agreement that can be mutually agreed upon between Techform and Ted Wolda".

¶ 23 On August 30th, 1989 Techform issued a Record of Employment to Mr. Wolda that indicated that he had quit and was not returning. In September of 1989 Techform and Mr. Wolda signed a consultancy agreement in the form of a letter dated August 30th, 1989. Techform drafted the document that began with the sentence "This letter is to confirm our discussion with regards to your consulting with Techform on special projects". The following terms were agreed to:

- (a) The agreement was to be for one year.
- (b) The agreement could be terminated by either party on 60 days written notice.
- (c) Mr. Wolda was to work a minimum of two days per week.

- (d) Mr. Wolda was to be paid \$35.00 for each hour he worked. This rate was calculated to approximate the per hour value of Mr. Wolda's salary at the time and to compensate him for his loss of benefits, including the loss of his right to share in Techform's deferred profit sharing plan.
- (e) All of Mr. Wolda's benefits, expenses and income taxes were to be his obligation as a consultant.

¶ 24 Mr. VandenHeuvel, who negotiated the arrangement on behalf of Techform, told Mr. Wolda that he would have to register as an independent business and Mr. Wolda did so on October 27th, 1989. In 1991, in response to a written request from Mr. Wolda, his hourly rate under the August 30th, 1989 agreement was increased by \$2.00. Mr. Wolda's request for a rate change contained the following phrase: "After serving Techform Prod. Ltd. as an Independent Engineering Contractor for over 2 (two) years ...". In November of 1991 Techform confirmed the fee change in writing without disputing Mr. Wolda's claim that he was an independent contractor.

¶ 25 From September 1st, 1989 Techform paid Mr. Wolda in a different manner. He submitted invoices charging G.S.T. and detailing the hours that he worked. He was paid by cheques that were coded by Techform as being for the services of an outside consultant. He prepared and filed income tax returns as though he were an independent consultant and not an employee. Techform ceased to be responsible for any of his benefits and stopped making statutory deductions at source or any statutory remittances on his behalf. It was admitted that the relationship was carefully structured to qualify as an independent contractor relationship for tax purposes.

¶ 26 After September of 1989 Mr. Wolda's working hours became considerably more flexible and, unlike the other employees, he had no job description, he was not subject to annual performance reviews and he was not required to attend departmental meetings.

¶ 27 Techform had never had this kind of relationship with anyone else. However, in 1996 Techform made a similar arrangement with Linda Ellis, who had formerly been an employee in the accounting department. Both Ms. Ellis and her manager agreed to use Mr. Wolda's August 30th, 1989 agreement as a precedent for her agreement. Ms. Ellis's agreement was signed in April of 1996 and on discovery Techform admitted that as of that date there was no dispute that Ms. Ellis had become an independent consultant or contractor at Techform.

¶ 28 There are a series of tests that have been used to determine whether a particular relationship constitutes an employment relationship. These tests have been developed in a context where what is at issue is whether a worker is entitled to the protections offered to employees both at common law and pursuant to employment related legislation. In such cases, how the parties describe the relationship is not determinative of the issue unless that description actually accords with the economic realities of the particular situation. In a wrongful dismissal or employment standards case, the fact that a person is described as an independent contractor for income tax purposes is a factor relevant to, but

not determinative of, whether that person is an employee for the purposes of deciding his or her entitlement to reasonable notice or other employment benefits (G. England et al., *Employment Law in Canada*, 3rd ed., v. 1 (Toronto and Vancouver: Butterworths, 1998) at 2.1--2.2 and 2.5--2.15).

¶ 29 In this case, both parties took great care to set their relationship up as that of a client and an independent consultant. Techform officially terminated its employment relationship with Mr. Wolda by completing a "Record of Employment" and Mr. Wolda, on Techform's advice, registered himself as an independent business. As a result, Techform avoided its responsibilities to remit under the Income Tax Act and the Employment Insurance Act, as well as its responsibilities to pay applicable workers' compensation levies and other payroll taxes such as the Employee Health Tax. Techform is now seeking to retrospectively recharacterize its relationship with Mr. Wolda for the sole purpose of increasing its chances of depriving Mr. Wolda of a benefit to which he may otherwise be entitled. Ironically, in doing so, they are relying on tests that were developed to protect workers from being deprived of rights.

¶ 30 Given the way the parties chose to characterize their relationship and given the numerous ways in which that characterization was translated into reality -- more flexible work hours, no deductions, no benefits, no requirement to attend organizational meetings, no job description and no performance reviews -- it is my view that as of September 1st, 1989 Mr. Wolda ceased to be an employee of Techform and became an independent consultant or contractor.

4. WAS IT AN IMPLIED TERM OF THE AUGUST 30TH, 1989 CONTRACT THAT TECHFORM OWNED WOLDA'S INVENTIONS?

¶ 31 Techform's pleaded position is that it was an implied term of Mr. Wolda's written contract of employment with Techform prior to August 30th, 1989 that all inventions made by him in the course of his employment were the property of Techform. They assert that this term continued in full force and effect after Mr. Wolda entered into the part-time consultancy agreement of August 30th, 1989. On this analysis, unless it can be said that Mr. Wolda was employed to invent or innovate prior to August 30th, 1989, it cannot be said that there was any term regarding transferred ownership of inventions to be continued after August 30th, 1989.

¶ 32 While Mr. Wolda received what he described as a "technical education" in mechanical engineering in Holland, he is not licensed, nor is he qualified to be licensed, as a professional engineer in Ontario. Techform hired him to help them redesign the equipment or processes that they used to manufacture their main product, door-locking rods. While Mr. Wolda had created patentable products for his previous employer, it was not until 1987 that Mr. Wolda was called upon to do any patentable inventing for Techform. In 1987 Techform assigned to Mr. Wolda, Mr. VandenHeuvel and Mr. Weber the task of inventing a hinge that would be suitable for the trunk of a particular Chrysler car. They completed the project in 1988 by inventing the "Dual Motion Deck Lid Hinge". A patent application was filed, but no patent was ever issued for this product; it

was not clear why. Techform claimed that Mr. Wolda assigned his rights to the product to Techform. Mr. Wolda denied ever signing such an assignment.

¶ 33 Against this background can it be said that during the period from 1981 to 1989 Mr. Wolda was employed by Techform to invent? In considering this question it is important to keep in mind that an engineer or any other person involved in design work is not by reason of that field of endeavour necessarily regarded as being inventive. This point is made by Hugesson J.A. of the Federal Court of Appeal in *Creations 2000 Inc. v. Canper Industrial Products Ltd.* (1990), 34 C.P.R. (3d) 178 at 184:

First, it seems to me to be impossible to establish a general and invariable rule according to which we attribute to any particular discipline the quality of always being inventive. Thus, the simple fact that a witness is an expert in design (or in another field in which creativity is often of primary importance, such as literature, architecture, chemistry, music and so on) does not mean that all practitioners of that discipline always and necessarily demonstrate this creative ability.

¶ 34 In reviewing Mr. Wolda's duties prior to August 30th, 1989 it cannot be said that inventing was within the normal scope of those duties. He was primarily a designer of mechanical or processing equipment. However, what can be said is that there was one instance where a specific project was assigned to him that required him to invent a new product, the Dual Motion Deck Lid Hinge. In that circumstance it is appropriate, given the criteria set out in *Comstock*, supra, to say that Techform, as the employer who instructed Mr. Wolda to develop that product, was entitled to assert that they owned the product. Thus, the only implied term that Techform could claim was continued from their pre-August 30th, 1989 relationship with Mr. Wolda was that when Techform specifically assigned to Mr. Wolda the task of inventing a new product, Techform was entitled to claim ownership of that product.

¶ 35 The consulting contract entered into by Techform and Mr. Wolda (the August 30th, 1989 Agreement) did not contain a term that any inventions made by Mr. Wolda while working for Techform were to be owned by Techform. Techform maintained that it was unnecessary to insert such a term because Techform assumed that the obligations Mr. Wolda had while an employee would continue. In part, the reason for this is Techform's position that, as Mr. VandenHeuvel put it, "In actual fact, Ted, Mr. Wolda, did the same work before as he did after his contract". Further, both parties agreed that while the August 30th, 1989 Agreement was initially only for one year, it was renewed each year after that until the termination of their relationship in 1997.

¶ 36 Is it appropriate that such a term be implied? The general principles for finding an implied term were outlined by the Supreme Court of Canada in *Canadian Pacific Hotels Ltd. v. Bank of Montreal*, [1987] 1 S.C.R. 711. Le Dain J., for the majority, held that terms may be implied in a contract:

(a) Based on custom or usage (at 774). (There was no evidence before

- me as to the custom in these kinds of business relationships.)
- (b) As the legal incidents of a particular class or kind of contract (at 776). (I was cited no law to suggest that as a matter of law, given the nature of the contract between Techform and Mr. Wolda, Techform was the owner of any inventions made by Mr. Wolda during the term of the contract.)
 - (c) Based on the presumed intention of the parties where the implied term must be necessary "to give business efficacy to a contract or as otherwise meeting the 'officious bystander' test as a term which the parties would say, if questioned, that they had obviously assumed" (at 775, citing *Liverpool City Council v. Irwin*, [1977] A.C. 239 at 257-8 (H.L.), *Cross L.J.*).

¶ 37 In *M.J.B. Enterprises Ltd. v. Defence Construction (1951) Ltd.*, [1999] 1 S.C.R. 619, Mr. Justice Iacobucci considered the issue of implied contractual terms based on business efficacy as outlined by Le Dain J. in *Canadian Pacific*, supra, and stated at paragraph 29 that:

What is important in both formulations is a focus on the intentions of the actual parties. A court, when dealing with terms implied in fact, must be careful not to slide into determining the intentions of reasonable parties. This is why the implication of the term must have a certain degree of obviousness to it, and why, if there is evidence of a contrary intention, on the part of either party, an implied term may not be found on this basis [emphasis in original].

¶ 38 In order to imply a term based on the doctrine of business efficacy it is not sufficient that the court feels that the addition of such a term would be reasonable and prudent (*Codelfa Construction Pty. Ltd. v. State Rail Authority of N.S.W.* (1982), 149 C.L.R. 337 at 401 (H.C. Australia)). As Mason J. states in *Codelfa* at paragraph 9:

The conditions necessary to ground the implication of a term were summarized by the majority in *B.P. Refinery (Westport) Pty. Ltd. v. Hastings Shire Council* (1977), 52 A.L.J.R. 20 at 26: "(1) it must be reasonable and equitable; (2) it must be necessary to give business efficacy to the contract, so that no term will be implied if the contract is effective without it; (3) it must be so obvious that 'it goes without saying'; (4) it must be capable of clear expression; (5) it must not contradict any express term of the contract" (see also *Codelfa Construction*, supra at 404, Brennan J.).

¶ 39 It is important to emphasize that business efficacy does not mean that a contract would be better if the term were implied; it means that the contract would not be effective unless the term were implied. Further, an implication that may be regarded as obvious to one party may not be so regarded by the party detrimentally affected. Unless it can be said that both parties would have consented to its inclusion a term cannot be implied

(Con-Starr Industries of Australia Pty. Ltd. v. Norwich Winterthur Insurance (Australia) Ltd. (1986), 160 C.L.R. 226 (H.C. Australia)).

¶ 40 Applying the business efficacy test to the facts of this case I cannot conclude that the August 30th, 1989 agreement between Mr. Wolda and Techform would not have been effective if all the inventions Mr. Wolda made during the course of the contract were not owned by Techform. In trying to assess the intentions of the parties at the time they entered into the agreement it is not obvious that if something were invented by Mr. Wolda that was not the subject of a specific assignment to him by Techform then that invention would be the property of Techform. The evidence read in from the discovery of Techform disclosed that at the time the agreement of August 30th, 1989 was entered into, its purpose was to allow Mr. Wolda to continue his involvement in some specific projects that were not yet finished. There was no suggestion at that time that Mr. Wolda would be inventing a product other than in the context of specific project assignments. The agreement itself refers to Mr. Wolda consulting with Techform on "special projects".

¶ 41 Techform's best position, given the factual matrix that existed at the time, is that the doctrine of business efficacy requires me to imply a term into the August 30th, 1989 agreement to the effect that inventions made by Mr. Wolda as the result of specific project assignments were to be owned by Techform.

¶ 42 This brings me to the difference between the circumstances surrounding the invention of the Tailgate Hinge Mechanism and the 3 D Hinge. Someone else came up with the idea of the Tailgate Hinge Mechanism before it was handed to Mr. Wolda to develop and make patentable. Specifically, in July of 1987 the supervisor of the Research and Development Department, Dan McLeod, gave Mr. Wolda a picture of a spring mechanism to be used in the tailgate of a truck with instructions to develop it.

¶ 43 This is in contrast to the 3 D Hinge. Mr. VandenHeuvel, the chief witness for Techform, was specifically asked, "Did anyone ask Mr. Wolda to develop a 3 D Hinge?" The answer given was "No."

¶ 44 This distinction is an important one. I accept that at the time the August 30th, 1989 agreement was entered into both Mr. Wolda and Techform would have assumed that Techform would own inventions made by him as the result of a specific assignment. I do not, however, for the reasons already given, make the same finding with respect to inventions made by Mr. Wolda on his own initiative.

5. IS THE EMPLOYEE TECHNOLOGY AGREEMENT BINDING ON MR. WOLDA?

5.a. The Terms of the Employee Technology Agreement

¶ 45 On February 3rd, 1993 Mr. Wolda signed the Employee Technology Agreement. It contained the following significant provisions:

- (a) An agreement to assign all his rights, title and interest in all developments and all patent applications and patents granted on any developments conceived or made by him while employed by Techform, or within one year of the end of his employment if conceived as the result of his employment.
- (b) An agreement not to disclose any of the company's confidential information unless the company consented in writing.
- (c) An agreement that for one year following the end of his employment with Techform he would not work or contribute his knowledge to any work which was competitive with "a product, process, apparatus or service" on which he worked at any time during the two years immediately prior to the end of his employment. The geographical area covered by this restrictive covenant was North America. The covenant would not apply if Mr. Wolda could provide Techform with clear and convincing written evidence that his work with his new employer would not cause him to "disclose, base judgment upon, or use any confidential information."

5.b. The Events leading up to the ETA

¶ 46 Towards the end of 1992 Mr. Wolda and another colleague, Mr. Lewkowski, invented a hinge called the "Boxless Hinge". They worked on this invention on their own time and without Techform's knowledge. Instead of revealing the product to their superiors at Techform in Penetanguishine they arranged to make a direct presentation in Michigan to Techform's president, Ed Connelly. After their presentation Mr. Connelly was concerned -- concerned that Mr. Wolda and Mr. Lewkowski had come to him without the knowledge of the Penetanguishine management, and concerned that Mr. Wolda might seek some royalty payment for the invention. In November of 1992, Mr. Connelly wrote to Mr. VandenHeuvel expressing his concerns and in that letter stated that he told Mr. Wolda and Mr. Lewkowski that Techform did not pay royalties, especially to those they employed, and that any patents would be applied for and owned by the company. He instructed Mr. VandenHeuvel to deal directly with Mr. Wolda and Mr. Lewkowski.

¶ 47 Mr. VandenHeuvel's response was to have Techform's lawyers prepare the ETA and to present the agreement for signature to the members of the Research and Development Department (of whom Mr. Wolda was one), the designers in the Manufacturing and Engineering Department and the senior people in all the other departments. According to Mr. VandenHeuvel, the "Boxless Hinge incident" led Techform to put "a more formal method in place to safeguard the confidentiality of new projects for Techform."

5.c. The Circumstances Surrounding Mr. Wolda's Execution of the ETA

¶ 48 Mr. VandenHeuvel testified that he had some discussions with Mr. Wolda concerning the ETA, but that he did not recall the particulars of those discussions. He

knew that he did request that Mr. Wolda sign the agreement, but did not remember any of the circumstances surrounding that signing.

¶ 49 Mr. Wolda testified that when he reviewed the ETA he did not agree with it and did not want to sign it. He put it aside for a few days and then called Mr. VandenHeuvel and asked him whether he wanted him to sign it. The reply was "Yes". He then knew that he had to sign or he would be let go. At that time he was in his middle fifties and was supporting two children, one in high school and the other in university. As he put it he "saw no way out."

¶ 50 After Mr. Wolda signed the ETA he testified that he took it to Mr. VandenHeuvel and told him that it was a "useless piece of paper", first, because he did not agree with it and second, because he was not an employee. At the top of the ETA the words "Employee's Name" appeared in typed form. To indicate his protest Mr. Wolda inserted a question mark beside the word "Employee". According to Mr. Wolda he assumed by Mr. VandenHeuvel's silence that he agreed with him that the ETA did not apply to him and that he accepted the question mark.

¶ 51 Mr. VandenHeuvel did not recall Mr. Wolda telling him that the ETA was a "useless piece of paper." He stated that if Mr. Wolda had refused to sign the ETA, Mr. Wolda would have been given 60 days' notice. Mr. Wolda was not advised to, and did not seek, independent legal advice.

6. WAS THE ETA SUPPORTED BY CONSIDERATION?

¶ 52 The ETA began with the words "As consideration for me continuing employment in any capacity with Techform ...". This is the consideration relied upon by Techform to support the validity of the ETA. Can "continued employment" constitute consideration in the context of an already existing "employment" relationship?

¶ 53 This question was indirectly addressed by the Ontario Court of Appeal in *Francis v. Canadian Imperial Bank of Commerce* (1994), 21 O.R. (3d) 75. In that case the defendant bank was found to have made the plaintiff a binding offer of employment, which was accepted. The offer contained no provision with respect to termination. Approximately one month later the plaintiff was asked to, and did, sign an Employment Agreement that contained nothing of benefit to him and stated that he could be terminated without cause on one month's notice for each completed year of service, to a maximum of three months. About eight years later the plaintiff was suspended. He sued, claiming wrongful dismissal. The trial judge allowed the action, found that the Employment Agreement was invalid and that the appropriate notice period was twelve months. In sustaining the trial judge's finding with respect to the Employment Agreement, Weiler J.A., writing for the Court, held at page 84 that the general principle is that a modification of a pre-existing contract will not be enforced unless there is a further benefit to both parties. She further found that for the Bank to have changed the notice period from the common law entitlement of reasonable notice to a maximum of

three months was a unilateral modification of an existing employment contract with no consideration to support it.

¶ 54 In this case it is Techform's position that "continued employment" was synonymous with "forbearance from dismissal". In other words, because Mr. Wolda signed the ETA, Techform did not exercise their right to terminate his services on sixty days' notice.

¶ 55 This concept was considered by the British Columbia Court of Appeal in *Watson v. Moore Corp.* (1996), 20 C.C.E.L. (2d) 21. In paragraph 43 of that decision, Chief Justice McEachern, writing for the majority, made it clear that to constitute consideration there must be evidence that the employer intended to dismiss the employee before he or she signed and returned the agreement. It is not enough to say that the employer had the right all along to give notice of termination and that not having done so provided consideration for an agreement containing a modification that only benefited the employer.

¶ 56 In *Kadis v. Britt* (1944), 29 S.E. 2d 543, the North Carolina Supreme Court also addressed the issue of whether continued employment could constitute consideration. At page 548 of that decision the Court made the following comments:

- (a) For the most part cases that feature employment as constituting consideration will be found to deal with initial employment, i.e., "where the employee is for the first time inducted into the service".
- (b) The principle has no reasonable application to a situation where the contract containing the negative covenant is exacted from the employee after he or she has been there for some time and where "his position and duties are left unchanged, and the nature of the business remains the same, and where, in the nature of things, he must already have acquired such knowledge of the business as his position afforded".
- (c) "Continued Employment" must be understood to mean "further continuance in employment", which implies more than the threat of immediate discharge. "A consideration cannot be constituted out of something that is given and taken in the same breath -- of an employment which need not last longer than the ink is dry upon the signature of the employee, and where the performance of the promise is under the definite threat of discharge" [emphasis in original].

¶ 57 I agree with these observations and find that there was no consideration given by Techform for the ETA.

7. WAS THE ETA ENTERED INTO AS THE RESULT OF DURESS?

¶ 58 I appreciate that having found that the ETA was not supported by consideration it may appear that there is no need for me to address this issue. However, duress is relevant to the issue of estoppel (dealt with later in this judgment) and I do wish to record that if I had found for Techform on the consideration issue I would have found for Mr. Wolda on the issue of economic duress.

¶ 59 Finlayson J.A. discussed the concept of "economic duress" in *Stott v. Merit Investment Corp.* (1988), 63 O.R. (2d) 545 at 561-5. It is a concept that recognizes that someone can be pressured into doing something by economic factors that can be "every bit as effective, if improperly used," as threats of physical abuse (at 561). Not all economic pressure will constitute economic duress. It must be pressure that the law does not accept as legitimate and it must be applied to such an extent that the person to whom the pressure is directed has no choice but to submit. In determining the legitimacy of the pressure one must consider the nature of the pressure and the nature of the demand the pressure is applied to support. The following issues are relevant to the decision of whether the party to whom the pressure was directed was deprived of choice:

- (a) Did the party protest at the time the contract was entered into?
- (b) Was there an effective alternative course open to the party alleging coercion?
- (c) Did the party receive independent legal advice?
- (d) After entering into the contract did the party take steps to avoid it?

¶ 60 Mr. Wolda was in a situation where he thought, apparently correctly, that if he did not sign the ETA he would be terminated on sixty days' notice. By this time he had been working with Techform for approximately twelve years and was in his mid-fifties. Although his legal status was that of an independent consultant the reality was that since the August 30th, 1989 agreement Techform had been his only client. While only required to work two days per week, he worked more, such that in 1992 his income for services rendered to Techform was just under \$47,000.00. He had two dependent children to support. He had experience as a mechanical engineer, but no recognized Canadian qualifications as such. He did not receive independent legal advice nor was he advised to do so. I believed him when he stated that he protested to Mr. VandenHeuvel concerning the validity of the ETA as soon as he signed it. His evidence on this point was not contradicted since Mr. VandenHeuvel was frank in his admission that he had no memory of any exchange. He also registered his protest by putting a question mark on the first page of the ETA beside the word "Employee".

¶ 61 Mr. Wolda's alternative was to not sign the ETA and risk having his contract terminated on sixty days' notice. Given his age and lack of qualifications, it would have been difficult for him to replace the income that he was receiving from Techform. Given his obligations at the time, it was essential that he do so. After entering into the ETA he took no steps to avoid it because he thought Mr. VandenHeuvel had accepted that it did not apply to him and because there never was a time when he could have done so without risking the termination of his contract. This is borne out by what happened when Mr. Wolda refused to assign the patent to the 3 D Hinge; his services were suspended.

8. IS MR. WOLDA ESTOPPED FROM DENYING HIS OBLIGATIONS UNDER THE ETA?

¶ 62 There are situations in which the law has recognized that it would be unjust to enforce a promise, even a gratuitous one. These are situations where the promise has been relied upon by the promisee. As a result, a remedy has been developed which is often explained as a kind of equity – estoppel. The essential factors giving rise to a claim of estoppel are:

- (a) A representation or conduct amounting to a representation intended to induce a course of conduct on the part of the person to whom the representation is made.
- (b) An act or omission resulting from the representation, whether actual or by conduct, by the person to whom the representation is made.
- (c) Detriment to such person as a consequence of the act or omission (Greenwood v. Martins Bank, Ltd., [1933] A.C. 51 at 57 (H.L.), Tomlin L.J., cited with approval in C.P. Hotels v. Bank of Montreal, [1987] 1 S.C.R. 711 at 751-752).

¶ 63 Techform argued that by signing the ETA and by his subsequent conduct Mr. Wolda induced them to believe that they owned the rights to the 3 D Hinge. He had never claimed ownership of any of the other inventions he made while at Techform. After he invented the 3 D Hinge he participated in a presentation of the product to one of Techform's customers; he did not suggest that he was its owner during that presentation.

¶ 64 Assuming that they would own Mr. Wolda's inventions, Techform kept Mr. Wolda on as a consultant, allowed him to work in and among their research and development employees, gave him access to their facilities, paid him for his work in developing and refining the 3 D Hinge, and expended money in seeking patent protection for the invention. Mr. Wolda cooperated with Techform's patent attorney and was paid for the time he spent. As a result, Techform has suffered a loss -- a loss that included the monies they paid to Mr. Wolda for his time (estimated at 1000 hours), the use of their materials and employee time and the sums paid to their patent attorneys. It is Techform's position that these facts lead to the legal conclusion that Mr. Wolda is estopped from denying that Techform owns the 3 D Hinge.

¶ 65 Mr. Wolda filed a counterclaim in these proceedings asking for, among other things, a declaration that as its inventor he is the owner of the 3 D Hinge. Techform purported to raise the issue of estoppel as a defence to that counterclaim. The reason for this is that many courts, including the Ontario Court of Appeal, have held that "estoppel can never be used as a sword but only as a shield. A plaintiff cannot found his claim in estoppel" (Gilbert Steel Ltd. v. University Construction Ltd. (1976), 12 O.R. (2d) 19 at 23 (C.A.), Wilson J.A.).

¶ 66 I do not accept that Techform can get around this maxim by purporting to rely on estoppel only in response to Mr. Wolda's counterclaim. If Techform's claim to ownership of the 3 D Hinge is dismissed, then Mr. Wolda, as the inventor, remains the owner of the product. In essence, Techform is relying on estoppel to assert their claim to ownership and in doing so they are using it as a "sword", i.e., as the basis for their cause of action.

¶ 67 Stephen M. Waddams in his text *The Law of Contracts*, 4th ed. (Toronto: Canada Law Book, Inc., 1999) at paragraph 201, comments on the apparent irrationality of making enforceability dependant on the chance of whether the promisee is the plaintiff or the defendant. He suggests that this limitation on the applicability of the doctrine has been grounded in the fact that estoppel has traditionally been set up as an "all or nothing proposition." Either the bargain is enforceable or it is not. Waddams points out, however, that it does not always follow that "enforcement is always justified to the full extent of the enforcement appropriate to bargains" (paragraph 189). The underlying rationale for estoppel is the feeling of injustice created by the promisee's reliance. In some cases, therefore, it might be sufficient to limit the remedy to the extent of that reliance. For example, in this case, one might limit the remedy to the extent of the monies expended by Techform on the 3 D Hinge. As Waddams indicates, this position has been accepted in the United States and was recommended by the Ontario Law Reform Commission in 1987 (paragraph 289).

¶ 68 I agree with Professor Waddams' comments on estoppel. Were I to have found that estoppel did apply to the facts of this case, I would have considered (after seeking further submissions on the point) granting Techform a remedy in the form of damages designed to compensate them for the extent of their reliance. However, in my view it would not be unjust in the circumstances of this case that the promises Mr. Wolda gave in the ETA not be enforced. These were promises that were given under duress. Both Mr. Wolda's representations and his subsequent conduct were driven by the knowledge that once he clearly insisted on ownership rights to his inventions, his services with Techform would be terminated on sixty days' notice.

9. FIDUCIARY DUTY AND UNJUST ENRICHMENT

¶ 69 I intend to touch on these issues because they were raised by Techform. Techform claimed that Mr. Wolda owed a fiduciary duty to hold all inventions made by him in trust for Techform. The defence to this claim is found in the case of *Tombill Gold Mines v. Hamilton*, [1954] O.R. 871 (H.C.), aff'd (1956), 5 D.L.R. (2d) 561 (S.C.C.). Once I find that there was no express or implied contractual obligation that Mr. Wolda would transfer ownership of inventions made outside of his specific assignments, that is the end of the issue. As noted by Gale J. (as he then was) at page 893 of *Tombill*, supra, "the agent is not prohibited from acting if the transaction does not come into conflict with his engagement as agent, even though such action injuriously affects the principal."

¶ 70 Techform also argued unjust enrichment before me. Prior to trial Techform sought leave to amend its Statement of Claim in order to add, as an additional ground of

relief, a claim of unjust enrichment. Master Polika denied that right because the claim was not tenable in law. MacFarland J., who found this to be correct, upheld Master Polika.

10. SHOULD MR. WOLDA BE ENJOINED FROM USING OR DISCLOSING CERTAIN CONFIDENTIAL INFORMATION?

¶ 71 While at Techform Mr. Wolda helped to design two machines. The first, called the "Modular Tooling System", is used by Techform to manufacture door locking rods; it was designed in the early 1980's. The second, the Rotary Bender, is used to bend "hinge straps" for "gooseneck hinges" (a type of trunk hinge); it was designed in the early 1990's. Techform's position is that both these devices give them a competitive advantage. Techform's concern is that Mr. Wolda will go to a competitor and use his intimate knowledge regarding the design of these machines to help that competitor build similar machines more quickly than would otherwise be possible. Techform suggests that their concern is justified given Mr. Wolda's conduct with respect to the 3 D Hinge.

¶ 72 There are three factors that must be present to establish breach of confidence:

- (a) The information supplied must have the necessary quality of confidence about it.
- (b) The information must be communicated in circumstances in which an obligation of confidence arises.
- (c) The recipient of the information must have misused the information to the detriment of the confider of the information (*Lac Minerals Ltd. v. International Corona Resources Ltd.* (1989), 26 C.P.R. (3d) 97 at 103 (S.C.C.), *LaForest J.*).

¶ 73 It is Techform who has the onus of proving the confidential nature of its information (*R.L. Crain Ltd. v. Ashton and Ashton Press Manufacturing Co. Ltd.* (1949), 11 C.P.R. 53 at 64 (Ont. C.A.), *Hogg J.A.*). In making this determination the court will consider the following:

- (a) The extent to which the information is known outside the specific business and to the trade generally; information that is extensively known to the other members of the interested community (i.e., the trade) is not protectable.
- (b) The extent to which it is known by those involved in the business; information known by a great number of employees is not protectable as a trade secret.
- (c) The value of the information to the business and its competitors.
- (d) The ease or difficulty with which the information could be properly acquired or duplicated by others.
- (e) A trade secret cannot be within the realm of general skills or knowledge.
- (f) The steps taken by the business to maintain the secrecy of the

information in question.

¶ 74 During the course of his testimony Mr. Wolda acknowledged that it would be wrong for him to give the drawings or "specs" for the modular tooling system or the rotary bender to a competitor. I appreciate that there was no suggestion that Mr. Wolda has any such drawings in his possession. However, as one of the designers of these machines he would be in a position to help a competitor of Techform's produce such drawings more quickly than would otherwise be possible. In other words, I am satisfied that Mr. Wolda's knowledge of these devices is such that he can provide a third party with a "springboard" or a "head start" not available to a member of the public who has merely seen the equipment. He can do so because of information that Techform took steps to keep confidential. Thus, I accept that Techform has established the first two factors necessary for a claim of breach of confidence.

¶ 75 However, Techform did not satisfy me that, on a balance of probabilities, there was any real likelihood that Mr. Wolda would misuse confidential information. Certainly he has not yet done so, although this is not surprising given the existence of an interim injunction that was obtained on January 8th, 1998 and was made interlocutory on consent on January 30th, 1998.

¶ 76 If the injunction were dissolved, would Mr. Wolda seize the opportunity to sell any special knowledge that he has to a competitor of Techform's? Mr. Wolda is now 61 years old and there was no evidence that Mr. Wolda had approached, or had any interest in approaching, any of Techform's competitors for this purpose. Second, there was no evidence that there were any competitors who were interested in acquiring such knowledge. What was suggested was that more and more cars are being manufactured without door locking rods, which caused me to speculate that few of Techform's direct competitors would be interested in making the capital investment necessary to duplicate Techform's manufacturing processes, even if they had the information to do so.

¶ 77 While I appreciate that speculation does not form the proper basis for a legal decision, I am mindful of the fact that the onus was on Techform to establish all of the necessary elements of breach of confidence. In my view, that onus was not discharged. Implied in this finding is that I do not accept that Mr. Wolda's actions in regard to the 3 D Hinge support the conclusion that an injunction should issue against him for breach of confidence. I have already found that he was acting within his legal rights in claiming ownership of the 3 D Hinge. In my opinion, he also acted honourably by giving Techform the first opportunity to own the product provided they acknowledged his contribution by increasing his hourly rate for future services and donating what he understood to be a "sliver" of their profits to a charitable cause. He only ended their negotiations when their response was to offer him an increase of \$3.00 in his future hourly rate, an amount that was apparently less than the increase in the cost of living since his last rate change.

11. MR. WOLDA'S COUNTERCLAIM

¶ 78 Mr. Wolda filed a counterclaim against Techform and M & C for their actions in allegedly unlawfully appropriating his rights to his inventions. "Appropriation of invention" is not a cause of action known in law. Rights in rem in an invention do not arise until a patent issues, or until other rights are accorded by the Patent Act are granted.

12. CONCLUSION

¶ 79 Techform's claims as against Mr. Wolda are dismissed except for their claim that they are the owners of the Tailgate Hinge Mechanism. Mr. Wolda's counterclaim against Techform and M & C is dismissed except for his claim for a declaration that as the inventor of the 3 D Hinge, also known as the "Vehicle Closure Hinge", he is also the owner. While such a declaration is not strictly necessary, I am prepared to grant it in order to have a clear statement of the court's position for the purposes of the pending patent applications. The parties may address me in writing on the question of costs on or before February 14th, 2000.

SACHS J.

QL Update: 20020529
cp/s/np/qlrme

Techform Products Limited v. Wolda***Wolda v. Techform Products Limited et al.****[Indexed as: Techform Products Ltd. v. Wolda]**

56 O.R. (3d) 1
[2001] O.J. No. 3822
Docket No. C33757

**Court of Appeal for Ontario
Charron, Rosenberg and Goudge JJ.A.**

October 1, 2001

* Application for leave to appeal to the Supreme Court of Canada dismissed with costs July 11, 2002 (L'Heureux-Dubé, Bastarache and Binnie JJ.). S.C.C. File No. 28949. S.C.C. Bulletin, 2002, p. 1037.

Contracts — Consideration — Defendant worked for plaintiff as independent contractor — Plaintiff asked defendant to sign agreement to assign to it his rights in any inventions he conceived or completed while employed by plaintiff — Plaintiff would have terminated defendant's services if he had not signed agreement — Continued employment together with forbearance from dismissing defendant constituted consideration for agreement.

Contracts — Duress — Defendant worked for plaintiff as independent contractor — Plaintiff asked defendant to sign agreement to assign to it his rights in any inventions he conceived or completed while employed by plaintiff — Defendant objected to signing agreement but did so because he feared plaintiff would terminate his services if he did not sign — Agreement not unenforceable because of duress — Only illegitimate economic pressure amounts to duress — Plaintiff's pressure not illegitimate.

Employment — Employment contracts — Continued employment together with forbearance by employer from dismissing employee constitutes consideration for contract.

The plaintiff manufactured automotive parts. The defendant was an employee of the plaintiff from 1981 to 1989, when he signed a consultancy agreement and became an independent contractor. The plaintiff became concerned that the defendant might seek royalty payments for his inventions and asked him to sign an "Employee Technology Agreement" ("ETA"), in which he agreed to assign to the plaintiff his rights in any inventions he conceived, completed or reduced to practice while employed by the plaintiff. The ETA began with the following clause: "As consideration for my continuing employment in any capacity with [the plaintiff] . . . and as consideration for the salary or

wages paid for my services during my employment . . .". The defendant made it clear to the plaintiff that he did not agree with the ETA and took the position that it was a "useless piece of paper" because he was not an employee. Nevertheless, he signed it, fearing that he would be let go if he refused. The defendant subsequently invented the "3D Hinge". In return for assigning the invention to the plaintiff, he sought an increase in his hourly rate and an agreement that, for every hinge sold, two cents would be contributed to a particular charity. The plaintiff angrily turned him down. The defendant billed the plaintiff for approximately 1,000 hours of work related to the 3D Hinge. He also received the assistance of employees of the plaintiff in refining the design. The plaintiff terminated the defendant's employment because of his breach of his obligations to the plaintiff. The plaintiff brought an action for a declaration that it was the owner of the 3D Hinge and U.S. and Canadian patent applications filed by it and the defendant. The trial judge found that the plaintiff could not rely on the ETA because there was no consideration and, in any event, it was signed under duress. The action was dismissed. The plaintiff appealed.

Held, the appeal should be allowed.

The trial judge erred in holding that there was no consideration for the ETA. Continued employment together with implied forbearance from dismissal may be adequate consideration. In this case, the trial judge accepted evidence from the plaintiff that if the defendant had not signed the ETA, his services would have been terminated on 60 days' notice. In presenting the ETA to the defendant in the circumstances of this case, the plaintiff must be taken to have tacitly promised to forbear from dismissing him for a reasonable period of time thereafter. That promise was in fact fulfilled. There was consideration for the ETA.

In finding that the ETA was unenforceable because of duress, the trial judge recognized that not all economic pressure will constitute economic duress. It must be pressure that the law does not accept as legitimate, and it must be applied to such an extent that the person to whom the pressure is directed has no choice but to submit. The trial judge gave extensive attention to whether the defendant was deprived of choice, but did not return to the question of whether pressure was illegitimate. In failing to do so, she erred in law. There were a number of characteristics of this case that required a finding that the pressure was not illegitimate. First, the defendant was an independent contractor. The plaintiff could have insisted on something like the ETA as a condition for renewing the consultancy agreement for the following year. Second, the plaintiff genuinely believed that it was entitled to ownership of inventions by its employees and consultants. The fact that the law appears to be that absent an express or implied agreement to the contrary, an employee or independent contractor owns inventions did not mean that the plaintiff's request or demand that the defendant execute such an agreement was illegitimate. The plaintiff was paying the defendant for his work on the various inventions, and, while the plaintiff did not expressly assign the concept of the 3D Hinge to the defendant, he was generally assigned to work on hinges. The plaintiff's bona fide belief that it was the owner of the inventions told strongly in favour of finding that the pressure was not illegitimate. Finally, it was important that the defendant was not forced to sign the ETA

on the spot. He took it away with him and had ample opportunity to obtain independent advice. Thereafter, he had many years to reconsider, obtain the benefit of legal advice, seek a revised agreement or repudiate the agreement. He did not do so, and the lengthy passage of time told strongly against there being illegitimate pressure. The trial judge erred in finding that the ETA was unenforceable on the basis of economic duress.

The defendant's obligations under the consultancy agreement did not end with its termination. An assignment for valuable consideration of property to be obtained in the future is a valid equitable assignment and one which is enforceable in equity so soon as the property comes into possession of the assignor. Moreover, the plaintiff was seeking a declaration of its rights, not specific performance. Under the implied term of the consultancy agreement and express terms of the ETA, the defendant assigned his rights in his inventions to the plaintiff. They owned the inventions and were entitled to have the court protect their rights. This was not a case of rescission where the rescinding party is entitled to treat the contract as if it were void ab initio. Even if the proper characterization of what occurred is that the plaintiff repudiated the consultancy agreement and the defendant accepted the repudiation, the rights and obligations that had already matured prior to the repudiation were not extinguished. Finally, there was nothing to indicate that the plaintiff repudiated the ETA. Accordingly, the plaintiff was entitled to the declarations sought and was not limited to damages for breach of contract.

Maguire v. Northland Drug Co., [1935] S.C.R. 412, [1935] 3 D.L.R. 521; *Watson v. Moore Corp.* (1996), 21 B.C.L.R. (3d) 157, 134 D.L.R. (4th) 252, [1996] 7 W.W.R. 564, 20 C.C.E.L. (2d) 21, 96 C.L.L.C. 210-029 (B.C.C.A.), revg (1994), 20 C.C.E.L. (2d) 17 (B.C.S.C.), *consd*

Other cases referred to

CTN Cash and Carry Ltd. v. Gallaher Ltd., [1994] 4 All E.R. 714 (C.A.); *Francis v. Canadian Imperial Bank of Commerce* (1994), 21 O.R. (3d) 75, 120 D.L.R. (4th) 393, 7 C.C.E.L. (2d) 1, 95 C.L.L.C. 210-022 (C.A.), revg in part (1992), 41 C.C.E.L. 37, 92 C.L.L.C. 14,014 (Ont. Gen. Div.); *Gordon v. Roebuck* (1992), 9 O.R. (3d) 1, 92 D.L.R. (4th) 670 (C.A.), revg in part (1989), 71 O.R. (2d) 201, 64 D.L.R. (4th) 568 (H.C.J.); *Guarantee Co. of North America v. Gordon Capital Corp.*, [1999] 3 S.C.R. 423, 178 D.L.R. (4th) 1, 247 N.R. 97, 49 B.L.R. (2d) 68, [2000] I.L.R. 1-3741, 39 C.P.C. (4th) 100; *Hurst v. Bryk*, [1997] 2 All E.R. 283 (C.A.); *Kadis v. Britt*, 29 S.E.2d 543 (N.C.S.C. 1944); *Pao On v. Lau Yiu*, [1979] 3 All E.R. 65, [1979] 3 W.L.R. 435, 123 Sol. Jo. 319 (P.C.); *Robitaille, Re*, [1965] S.C.R. 503, 51 D.L.R. (2d) 591, 7 C.B.R. (N.S.) 169; *Stott v. Merit Investment Corp.* (1988), 63 O.R. (2d) 545, 25 O.A.C. 174, 48 D.L.R. (4th) 288, 19 C.C.E.L. 68 (C.A.); *Tailby v. Official Receiver* (1888), [1886-90] All E.R. 486, 13 App. Cas. 523, 58 L.J.Q.B. 75, 60 L.T. 162, 37 W.R. 513, 4 T.L.R. 726, 13 H.L. 523 (H.L.); *Universe Tankships Inc. of Monrovia v. International Transport Workers' Federation*, [1982] 2 All E.R. 67, [1982] 2 W.L.R. 803, [1982] 1 R.L.R. 200, [1982] I.C.R., [1982] 1 Lloyd's Rep. 537 (H.L.)

Authorities referred to

Ontario Law Reform Commission, Report on Amendment of the Law of Contract
(Toronto: Ministry of the Attorney General, 1987)

APPEAL from a judgment of Sachs J. (2000), 1 C.C.E.L. (3d) 118, 5 B.L.R. (3d) 111
(Ont. S.C.J.) dismissing an action for declaration of ownership of invention.

John R. Morrissey, for appellants.
Peter F. Kappel, for respondent.

The judgment of the court was delivered by

[1] **ROSENBERG J.A.:** — This appeal concerns ownership of an invention. The respondent, an employee of and then independent consultant to the appellant company, invented a valuable type of trunk hinge. The appellant claims that it is the owner of this hinge, which the respondent worked on while being paid by the appellant. Its claim is based principally on a written agreement. Sachs J. concluded that the appellant cannot rely on the agreement because there was no consideration and, in any event, it was signed under duress. I have concluded that the trial judge erred in law in both respects and that the appeal must be allowed.

[2] The respondent cross-appeals with respect to another invention that the trial judge held was owned by the appellant. I have concluded that the trial judge's finding in respect of the invention in question is correct and I would dismiss the cross-appeal.

The Facts

[3] The trial judge gave comprehensive reasons and this summary of the facts is taken from her findings. The respondent Tiete Wolda began employment with the appellant Techform in 1981. Although the respondent was employed as a mechanical engineer, he does not have formal engineering qualifications in Ontario. Techform manufactures automotive parts and it hired the respondent to help redesign the equipment or processes used to manufacture its main product, door-locking rods. While the respondent had created patentable products for a previous employer, he was not called upon to do any inventing for Techform until 1987. In that year, Techform assigned to the respondent and two other employees the task of inventing a hinge that would be suitable for the trunk of a particular make of automobile. They completed the project the following year by inventing the "Dual Motion Deck Lid Hinge". Techform filed a patent application for this invention although no patent was ever issued. There is no suggestion that Techform does not own this invention.

[4] In 1989, the respondent's relationship with Techform changed. Techform is based in Penetanguishene. The respondent decided to marry a woman who lived and worked in Toronto. He therefore submitted his resignation to Techform. The resignation was accepted and the respondent's immediate superior, Mr. VandenHeuvel, assumed that the respondent would obtain similar work with a parts manufacturer in Toronto. However,

more senior executives of the company were anxious to retain the respondent's services and in September 1989, Techform and the respondent signed a consultancy agreement. The company retained the respondent as a consultant on "special projects". The agreement was for one year and could be terminated by either party on 60 days' written notice. Under the agreement, the respondent was to work a minimum of two days per week at a defined hourly rate. The agreement said nothing about the ownership of inventions. The trial judge found that as a result of this agreement, the respondent was an independent contractor/consultant, not an employee. This finding is fully supported by the evidence. The agreement was renewed each year until it was terminated by Techform in 1997.

[5] Towards the end of 1992, the respondent and a Techform employee invented a hinge called the "Boxless Hinge". They had worked on this invention on their own time and without Techform's knowledge. Instead of revealing this product to their superiors in Penetanguishene, they made a direct presentation in Michigan to Techform's president, Ed Connelly. Mr. Connelly was concerned that the respondent and the employee had come to him without the knowledge of the Penetanguishene management and that they might seek some royalty payment for the invention. He wrote to the Penetanguishene management expressing his concerns and stated that he had told the respondent and the employee that Techform did not pay royalties and that any patents would be applied for and owned by the company. Mr. Connelly died prior to the trial.

[6] As a result of Mr. Connelly's letter, Techform's lawyers prepared the Employee Technology Agreement. Mr. VandenHeuvel met with the respondent to have him sign the ETA. According to Mr. VandenHeuvel, the Boxless Spring incident led Techform to put "a more formal method in place to safeguard the confidentiality of new projects for Techform". As Mr. VandenHeuvel had little memory of these events, the trial judge accepted the respondent's version. The respondent testified that when he reviewed the ETA, he did not agree with it and did not want to sign it. He put it aside for a few days and then called Mr. VandenHeuvel and asked him whether he wanted him to sign it. The reply was "Yes". He then knew that he had to sign or he would be let go. At that time, the respondent was in his middle 50s and was supporting two children. As he put it, he "saw no way out". The respondent signed the ETA on February 3, 1993. He then took it to Mr. VandenHeuvel and told him that it was a "useless piece of paper", first, because he did not agree with it and second, because he was not an employee. At the top of the ETA the words "Employee's Name" appeared in typed form. To indicate his protest, the respondent inserted a question mark beside the word, "Employee". The respondent assumed by Mr. VandenHeuvel's silence that he agreed with him that the ETA did not apply to him and that he accepted the question mark. Mr. VandenHeuvel testified that if the respondent had refused to sign the ETA, the company would have given him 60 days' notice of termination.

[7] The ETA begins with the following clause:

As consideration for my continuing employment in any capacity with Techform Products Limited . . . and as consideration for the salary or wages paid for my services during my employment

The agreement then sets out a number of terms that may be summarized as follows:

- (i) the respondent agreed to promptly inform the company of the full details of all inventions that he conceived, completed or reduced to practice while employed by the company and that related to the work of the company, that result from work using any equipment, facilities, materials, or personnel of the company, or that result from or are suggested by any work which he may do for the company;
- (ii) the respondent agreed "to assign and I do assign" to the company "my entire right title and interest" in any such inventions and all patent applications filed and patents granted, "which I conceive or make (whether alone or with others) while employed by the Company or within one year of the end of my employment (if conceived as a result of my employment)"; and
- (iii) the respondent agreed "while employed by the Company and afterwards" to execute any papers that the company may consider necessary or helpful to obtain or maintain patents.

The ETA also included confidentiality and non-competition terms.

[8] In 1996, the company assigned to the respondent the task of designing a tailgate hinge mechanism. The respondent did so and at the request of the company, the respondent executed a Declaration for Patent Application in July 1997. The respondent was not asked to assign his patent rights. This invention is the subject of the cross-appeal.

[9] Also in 1996, the respondent invented the "3D Hinge". It is this invention that is at the core of the litigation. Over the ensuing months, the respondent raised with the company the question of what compensation he could expect in return for assigning to the company or a related Michigan company, M & C Corporation, rights to this invention. He wanted an increase in his hourly rate and an agreement that for every hinge sold, two cents would be paid to a particular charity. The company was outraged by these demands, which they regarded as a betrayal of their relationship, and would not agree.

[10] The respondent billed Techform for approximately 1,000 hours of work related to the 3D Hinge. He also received the assistance of Techform employees in refining the design. The respondent worked with Techform's United States patent attorneys on the patent application and was paid for this work by Techform.

[11] On November 7, 1997, Techform's solicitor wrote to the respondent's solicitor stating that the respondent's employment was terminated because of his breach of his obligations to Techform. Litigation started soon thereafter.

[12] In its statement of claim, Techform asked for a declaration that it was the owner of the 3D Hinge and of U.S. and Canadian patent applications filed by it and the respondent. It also sought an order vesting in it all right, title and interest in the hinge. Techform also sought a declaration that it was the owner of the Tailgate Hinge Mechanism and an order vesting in it all of the right title and interest in the Tailgate Hinge Mechanism. The appellant also applied for an injunction and made a claim for damages.

[13] The respondent defended the action and counterclaimed, inter alia, for damages and for a declaration that, as the inventor of the 3D Hinge, he remained the owner of all rights in and to the invention including all patent applications.

[14] Pending trial, the appellant successfully obtained interim and interlocutory injunctions restraining the respondent from disclosing confidential information.

The Trial Judge's Findings

[15] At this point, I will very briefly summarize the significant legal and factual holdings by the trial judge. I will more fully set out her findings as I deal with the specific issues.

- (i) At common law, the mere existence of an employment relationship does not disqualify employees from patenting inventions made during the course of their employment.
- (ii) There are two exceptions to the presumption that employees own their inventions:
 - (a) an express contract to the contrary; or
 - (b) where the person was expressly employed for the purpose of inventing or innovating.
- (iii) An independent contractor who makes an invention owns the invention unless there is an agreement, express or implied, to the contrary. Whether a term transferring ownership of an invention to the client is to be implied depends upon whether such a term is necessary having regard to the circumstances of the case.
- (iv) After 1989, the respondent was an independent contractor/ consultant, not an employee.
- (v) Inventing was not within the normal scope of the respondent's duties, but, prior to 1989, Techform did on one occasion assign a specific project to him (and others) to invent a new product, the "Dual Motion Deck Lid Hinge". Techform was entitled to assert that it owned this invention.
- (vi) The only term that could be implied in the 1989 consultancy agreement was that when Techform specifically assigned to the respondent the task of inventing a product, it was entitled to claim ownership of that product.

- (vii) The Tailgate Hinge Mechanism, having been specifically assigned to the respondent, fell within the implied term. The 3D Hinge did not, since its invention was not assigned to the respondent by the company. Rather, it was a product of his own initiative.
- (viii) The ETA is not binding on the respondent because:
 - (a) there was no consideration; and in any event
 - (b) it was entered into as a result of duress.
- (ix) The respondent is not estopped from denying his obligations under the ETA because estoppel can only be used as a shield not a sword and therefore cannot be relied upon by Techform to assert its claim of ownership.
- (x) Accordingly, Techform's claim for ownership of the Tailgate Hinge Mechanism succeeds. Its claim for ownership of the 3D Hinge fails.
- (xi) The trial judge allowed the respondent's counterclaim for breach of contract and assessed damages in the amount of \$5,100. These damages were awarded because Techform did not give the respondent 60 days' notice of termination as required by the 1989 agreement.

The Appeal and Cross-Appeal

[16] In its appeal, Techform seeks an order declaring it to be the owner of all of the right, title and interest in the 3D Hinge. Techform also argued that if it was successful on the main issue, it was seeking dismissal of the counterclaim for breach of contract.

[17] In his cross-appeal, the respondent argues that his obligations to Techform ended in October 1997 either because the consultancy agreement ended by mutual consent or the innocent party accepted repudiation. Either way, he argues that, in the result, he had no obligation to perform any of the terms of the contract by assigning rights in either the 3D Hinge or the Tailgate Hinge Mechanism to Techform and that Techform's remedy, if any, was damages for breach of contract.

Analysis

Consideration for the Employee Technology Agreement

[18] The consideration set out in the ETA was "continuing employment" with Techform. The trial judge noted that in *Francis v. Canadian Imperial Bank of Commerce* (1994), 21 O.R. (3d) 75, 120 D.L.R. (4th) 393 (C.A.), this court held that generally a modification of a pre-existing contract will not be enforced unless there is a further benefit to both parties. Relying upon two cases, *Watson v. Moore Corp.* (1996), 134 D.L.R. (4th) 252, 21 B.C.L.R. (3d) 157 (C.A.) and *Kadis v. Britt*, 29 S.E. 2d 543 (N.C.S.C. 1944), the trial judge held that continued employment could not amount to consideration. With respect to the former case, the trial judge said the following [at p. 128 B.L.R.]:

In paragraph 43 of that decision, Chief Justice McEachern, writing for the majority, made it clear that to constitute consideration there must be evidence that the employer intended to dismiss the employee before he or she signed and returned the agreement. It is not enough to say that the employer had the right all along to give notice of termination and that not having done so provided consideration for an agreement containing a modification that only benefited the employer.

(Emphasis in original)

[19] As to the Kadis decision from the North Carolina Supreme Court, the trial judge said [at p. 128 B.L.R.] she agreed with the following comments from that court:

- (a) For the most part cases that feature employment as constituting consideration will be found to deal with initial employment, i.e., "where the employee is for the first time inducted into the service".
- (b) The principle has no reasonable application to a situation where the contract containing the negative covenant is exacted from the employee after he or she has been there for some time and where "his position and duties are left unchanged, and the nature of the business remains the same, and where, in the nature of things, he must already have acquired such knowledge of the business as his position afforded".
- (c) "Continued Employment" must be understood to mean "further continuance in employment", which implies more than the threat of immediate discharge. "A consideration cannot be constituted out of something that is given and taken in the same breath -- of an employment which need not last longer than the ink is dry upon the signature of the employee, and where the performance of the promise is under the definite threat of discharge".

(Emphasis in original)

[20] In my view, the trial judge erred in law in holding that there was no consideration for the ETA. In *Maguire v. Northland Drug Co.*, [1935] S.C.R. 412, [1935] 3 D.L.R. 521, the court held that continued employment and implied forbearance from dismissal for a reasonable period is adequate consideration. In *Maguire*, about 11 months after he began employment as a store manager, the defendant was asked to sign a non-competition covenant in the form of a bond under seal. The defendant was told that all branch managers were required to sign. Speaking for four members of the court at pp. 415-16 S.C.R., *Dysart J. ad hoc* stated as follows:

There was ample consideration for the bond. Although the necessity of proving consideration for the covenant is not dispensed with by the presence of a seal in a case of this kind, sufficient appears from the evidence adduced at the trial to establish, that the employee was given to understand, and did understand, that his refusal to execute the covenant would lead to an early

termination of his employment, and that the employer tacitly promised that if the bond were signed, the employment would not soon be terminated. On this mutual understanding the covenant was entered into, and thereafter the employer refrained indefinitely from exercising its legal right to issue the notice which, at the expiration of one month, would terminate the employment. This continuance of employment constitutes legal consideration, the adequacy of which will not be inquired into by courts: *Gravelly v. Barnard* (1874), L.R. 18 Eq. 518; *Skeans v. Hampton* (1914), 31 O.L.R. 424.

(Emphasis added)

[21] In his concurring opinion, Davis J. stated at p. 419 S.C.R. that "[t]he continuance of the appellant in the service of the respondent was in itself sufficient consideration for an agreement imposing a reasonable restraint." We were not referred to any decision of the Supreme Court of Canada reversing the Maguire decision.

[22] In the majority judgment in *Watson v. Moore Corp.*, McEachern C.J.B.C. held that, generally, continued employment alone cannot be consideration, that it must be combined with either forbearance or some other incentive. He interpreted the majority judgment in *Maguire* as based on a finding "without question that the employee would be terminated if he or she did not sign the employment agreement in question". In *Watson*, after many years of employment, the plaintiff was required to sign an Employment Agreement limiting the amount of pay in lieu of notice upon dismissal without cause. McEachern C.J.B.C. noted that the case was therefore unlike *Maguire*, where the covenant was unrelated to the right of the employer to terminate the employment. As he said at pp. 259-60 D.L.R.:

There are difficulties with finding that continued employment alone constituted consideration in this case. The plaintiff was already employed and remained employed throughout the relevant period. Unless it can be said that the defendant forbore discharging her, nothing of value flowed from the defendant to the plaintiff.

Even if continued employment alone could constitute consideration in some circumstances, it must still be determined whether continued employment constituted consideration in this case. The cases where continued employment was found to be consideration all dealt with covenants unrelated to the right of the employer to terminate the employee's employment: in *Maguire* . . . it was non-competition . . .

In this case, the provision in issue relates directly to the company's ability to terminate the employee's employment without cause. It cannot be seriously contended that continuation of the plaintiff's existing employment, without more, was consideration for her agreement that she could be discharged without cause with less notice or pay in lieu thereof than she was already entitled to receive.

It follows, in my view, that consideration for the plaintiff's employment contracts cannot be found just in the normal continuation of her existing

employment.

(Emphasis added)

[23] I would point out that this case is like Maguire, and unlike Watson, in that the covenant is unrelated to the right of the employer to terminate the employee's employment. In that context, it would seem to me that this court is bound by Maguire if there is any distinction to be drawn between the holdings in the two cases. In my view, however, the two cases of Maguire and Watson can sit together.

[24] In Watson, McEachern C.J.B.C. said that continued employment without more could not serve as consideration for an amendment to the employment contract that was adverse to the employee. That is consistent with the majority judgment in Maguire where central to the finding of consideration was not just the continued employment but the continued forbearing of the employer from exercising its contractual right to dismiss on one month's notice. It is also consistent with the principle fundamental to consideration in the context of an employment contract amendment -- that in return for the new promise received by the employer something must pass to the employee, beyond that to which the employee is entitled under the original contract. Continued employment represents nothing more of value flowing to the employee than under the original contract.

[25] In Watson, in a passage relied upon by the trial judge in this case, McEachern C.J.B.C. also addressed the possibility of consideration arising from the employer forbearing to dismiss the employee as the employer otherwise could, under the original contract. He found that where the employer has no clear intention of dismissing the employee prior to the employee signing and returning the contract amendment, the mere refraining at that point from discharging the employee does not furnish consideration for the amendment. This, too, is consistent with Maguire where the promised forbearance was found to be not so time limited. Rather, the employer in Maguire implicitly promised that if the amendment were signed, the employee "would not soon be terminated". This forbearance for a reasonable period of time was what constituted the consideration in that case.

[26] In my view, this analysis is also consistent with principle. Where there is no clear prior intention to terminate that the employer sets aside, and no promise to refrain from discharging for any period after signing the amendment, it is very difficult to see anything of value flowing to the employee in return for his signature. The employer cannot, out of the blue, simply present the employee with an amendment to the employment contract say, "sign or you'll be fired" and expect a binding contractual amendment to result without at least an implicit promise of reasonable forbearance for some period of time thereafter.

[27] Maguire is consistent with this analysis. There, on facts very similar to the facts in this case, the majority relied on what they found to be the employer's implicit promise to forbear for a reasonable period of time from exercising its contractual right to dismiss the employee on one month's notice. The continuation of employment on this understanding

constituted consideration for the employee's signature. This reasonable forbearance did pass something of value to the employee beyond that which he had under the original contract.

[28] In my view, we are obliged to apply the same reasoning to this case. In portions of her reasons not dealing with consideration, the trial judge accepted evidence from the appellant that if the respondent did not sign the ETA his services would be terminated on 60 days' notice. In presenting the ETA to the respondent in the circumstances of this case, the employer must be taken to have tacitly promised to forbear from dismissing the employee for a reasonable period of time thereafter. That promise was in fact fulfilled. The appellant retained the respondent's services for a further four years and terminated those services only when he breached the ETA.

[29] In my view, therefore, there was consideration for the ETA.

[30] Since I have found there was consideration, it is unnecessary to consider the appellant's alternative argument and decide whether consideration was required in the circumstances because of reliance by Techform on the agreement. I would simply note, as did Weiler J.A. in Francis at pp. 84-85, that there is a growing trend in Canada towards adopting the United States position of "protecting promises which modify an existing duty to the extent that there has been subsequent reliance on them by the person in receipt of the promise". [See Note 1 at end of document] The trial judge in her discussion of estoppel, clearly found that there was such reliance by Techform. [See Note 2 at end of document]

Duress

[31] Although she found there was no consideration, the trial judge went on to consider whether, in any event, the ETA was unenforceable because of duress. She found that it was and the appellant recognized that to succeed on this appeal, it must show that she erred. In her reasons, the trial judge referred to this court's decision in Stott v. Merit Investment Corp. (1988), 63 O.R. (2d) 545, 48 D.L.R. (4th) 288 (C.A.), leave to appeal to S.C.C. refused (1988), 63 O.R. (2d) x, where it was held that not all economic pressure will constitute economic duress. As she said [at p. 129 B.L.R.], "[i]t must be pressure that the law does not accept as legitimate and it must be applied to such an extent that the person to whom the pressure is directed has no choice but to submit". She also recognized that in determining the legitimacy of the pressure, "one must consider the nature of the pressure and the nature of the demand the pressure is applied to support". Unfortunately, although the trial

judge then gave extensive attention to whether the respondent was deprived of choice, she never returned to the question of whether the pressure was illegitimate. In my view, in failing to do so she erred in law.

[32] In considering whether the respondent was deprived of choice, the trial judge reviewed the application of the four factors from *Pao On v. Lau Yiu*, [1979] 3 All E.R. 65, [1979] 3 W.L.R. 435 (P.C.), namely:

- (a) Did the party protest at the time the contract was entered into?
- (b) Was there an effective alternative course open to the party alleging coercion?
- (c) Did the party receive independent legal advice?
- (d) After entering into the contract did the party take steps to avoid it?

[33] The trial judge found in favour of the respondent on all four factors. These were principally findings of fact and, while I have some misgivings about the trial judge's findings, especially in relation to the fourth factor, I am not persuaded that they are unreasonable. However, as McKinlay J.A. said in *Gordon v. Roebuck* (1992), 9 O.R. (3d) 1 at p. 6, 92 D.L.R. (4th) 670 (C.A.), that does not end the matter; in addition, "one must determine whether the coercion exerted on the [party] was legitimate". Since the trial judge did not consider this aspect of the case it falls to this court to do so.

[34] In *Stott*, at p. 564 O.R., Finlayson J.A. referred with approval to *Universe Tankships Inc. of Monrovia v. International Transport Workers' Federation*, [1982] 2 All E.R. 67, [1982] 2 W.L.R. 803 (H.L.) where it was held that in determining what is legitimate, two matters may have to be considered. The first is the nature of the pressure and the second is the nature of the demand that the pressure is applied to support. There are a number of characteristics of this case that, in my view, require a finding that the pressure was not illegitimate.

[35] First, the respondent was an independent contractor, not an employee. Admittedly, Techform was the respondent's only client, but it seems to me that the company could have insisted on something like the ETA as a condition for renewing the consultancy agreement for the following year.

[36] Second, it seems apparent that the company genuinely believed that it was entitled to ownership of inventions by its employees and consultants. This was the position taken by Mr. Connelly with the respondent. The trial judge did not seem to disbelieve Mr. VandenHeuvel's evidence that the ETA was an attempt to put in place a more formal method of safeguarding the confidentiality of new projects for Techform. In fact, the trial judge found that when Techform specifically assigned to the respondent the task of inventing a new product, Techform was entitled to claim ownership of that product. The trial judge found that this was an implied term when the respondent was an employee and was implied in the 1989 consultancy agreement.

[37] As the trial judge noted, the law would appear to be that absent an express or implied agreement to the contrary, an employee or independent contractor owns inventions. In my view, that does not mean that Techform's request or demand that the respondent execute such an agreement was illegitimate. Techform was paying the respondent for his work on the various inventions. While the trial judge held that

Techform did not expressly assign the concept of the 3D Hinge to the respondent, he was generally assigned to work on hinges. In my view, Techform's bona fide belief that it was the owner of the inventions tells strongly in favour of finding that the pressure was not illegitimate: CTN Cash and Carry Ltd. v. Gallaher Ltd., [1994] 4 All E.R. 714 (C.A.) at p. 718.

[38] Finally, in looking at the nature of the pressure, it is important that the respondent was not forced to sign the ETA on the spot. He took it away with him and had ample opportunity to obtain independent advice. Thereafter, he had many years to reconsider, obtain the benefit of legal advice, seek a revised agreement or repudiate the agreement. He did not do so since as he put it, "Why would I [shackle] myself." This lengthy passage of time tells strongly against there being illegitimate pressure: Stott, at p. 565 O.R.

[39] For these reasons, it is my view that the pressure was legitimate and the trial judge erred in finding that the agreement was unenforceable on the basis of economic duress.

Does the ETA cover the 3D Hinge?

[40] Although the ETA refers to the respondent throughout as an "employee", I did not understand the respondent to argue that on this basis it did not apply to him. However, in oral submissions counsel for the respondent argued that the invention of the 3D Hinge did not fall within the terms of the ETA since it only covered inventions "which I conceive or make (whether alone or with others) while employed by the Company". As I understand counsel's argument, this part of the ETA should be interpreted in the same manner as the implied term of the consultancy agreement. As indicated, the trial judge had found that it was an implied term that when Techform specifically assigned to the respondent the task of inventing a new product, Techform was entitled to claim ownership of that product.

[41] This argument was not made before the trial judge and, in any event, it cannot succeed. The broad language of the ETA simply does not support the limitation sought by the respondent. The respondent testified that he conceived of the 3D Hinge in November 1996. At the time, he was employed as a consultant to Techform and Techform was his only client. Thereafter, he billed Techform for almost 1,000 hours of work related to the 3D Hinge. In my view, it fell within the terms of the ETA.

Effect of repudiation of the consultancy agreement

[42] The respondent argued before the trial judge, as he did before this court, that all of his obligations under the consultancy agreement ended with its termination. Therefore, he is not required to assign his interests in any of the inventions. It is implicit in the trial judge's order that she rejected the respondent's position. Otherwise, she would not have made a declaration that Techform was the owner of the Tailgate Hinge Mechanism. I agree with the trial judge.

[43] First, in my view, this case is covered by the dicta in *Re Robitaille*, [1965] S.C.R. 503 at p. 506, 51 D.L.R. (2d) 591 where it was held that "an assignment for valuable

consideration of property to be obtained in the future is a valid equitable assignment and one which is enforceable in equity so soon as the property comes into possession of the assignor".

[44] Second, the appellant is seeking a declaration of its rights, not specific performance. Under the implied term of the consultancy agreement and express terms of the ETA the respondent assigned his rights in his inventions to the company. They owned the inventions and were entitled to have the court protect their rights: *Tailby v. Official Receiver* (1888), [1886-90] All E.R. 486, 13 H.L. 523 at p. 547.

[45] Third, this was not a case of rescission where the rescinding party is entitled to treat the contract as if it were void ab initio. Even if the proper characterization of what occurred in this case is that Techform repudiated the consultancy agreement and the respondent accepted the repudiation, the rights and obligations that had already matured prior to the repudiation were not extinguished: *Guarantee Co. of North America v. Gordon Capital Corp.*, [1999] 3 S.C.R. 423 at p. 440, 178 D.L.R. (4th) 1 at p. 15.

[46] Finally, there is nothing to indicate that the appellant repudiated the ETA. To the contrary, it insisted throughout that the respondent continue to honour his obligations under that agreement. In the November 7, 1997 letter terminating the respondent's employment, counsel for the appellant stated that the respondent's obligations under the ETA "survive the termination of his employment with Techform". In my view, it is open to a court to make a declaration concerning those rights and obligations: *Hurst v. Bryk*, [1997] 2 All E.R. 283 (C.A.).

[47] For these reasons, the appellant is entitled to the declarations sought and is not limited to damages for breach of contract. In the circumstances of this case, damages would be an inadequate remedy.

[48] In light of my conclusion concerning the ETA, it is unnecessary to consider the alternative grounds of appeal put forward by the appellant based upon an implied term of the consultancy agreement and estoppel.

[49] In view of the appellant's success on the main issue, the appeal must also be allowed with respect to the counterclaim for damages for breach of contract. The appellant was justified in terminating the consultancy agreement because of the respondent's wrongful refusal to assign the 3D Hinge.

Disposition

[50] Accordingly, I would allow the appeal and declare that the appellant is the owner of all right, title and interest in the 3D Hinge, including all patents and patent applications for such invention. I would also allow the appeal with respect to the counterclaim and dismiss the counterclaim. I would dismiss the cross-appeal. The appellant is entitled to its costs of the appeal and the cross-appeal. In her reasons on costs, the trial judge referred to an offer to settle by Mr. Wolda. It is unclear whether there were any offers to settle from

the appellant prior to trial. I would invite counsel to make written submissions within 14 days of release of the judgment concerning disposition of costs of the trial in light of my disposition of the appeal.

Appeal allowed.

Notes

Note 1: In view of my conclusion on consideration, I also need not decide what the remedy would be if the court were to enforce the agreement without consideration. The Ontario Law Reform Commission on its Report on Amendment of the Law of Contract (Toronto: Ministry of the Attorney General, 1987) at p. 31, recommended that a promise that the promisor would reasonably expect to induce forbearance should be binding "if injustice can be avoided only by enforcing the promise". However, it also recommended that the remedy should "be limited as justice requires". Thus, there might not be full enforcement of reliance-based promises.

Note 2: As indicated, the trial judge held that Techform could not found its claim for ownership of the 3D Hinge on estoppel because of the maxim that estoppel can never be used as a sword but only as a shield.